

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

09-2020

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Bay City	County Bay
Audit Date 6/30/04	Opinion Date 11/12/04	Date Accountant Report Submitted to State: 2/1/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

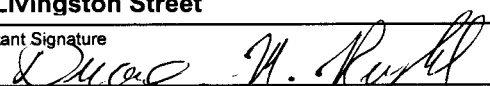
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.		✓	
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).		✓	

Certified Public Accountant (Firm Name) Andrews Hooper & Pavlik P.L.C.			
Street Address 720 Livingston Street	City Bay City	State MI	ZIP 48707
Accountant Signature  CPA		Date 2/1/05	

CITY OF BAY CITY, MICHIGAN

FINANCIAL STATEMENTS

June 30, 2004

LIST OF PRINCIPAL OFFICIALS

MAYOR

Robert J. Katt

CITY COMMISSIONERS

1st Ward: Christopher Hennessy	5th Ward: M.J. Gorney
2nd Ward: Michael E. Wooley	6th Ward: John F. Davidson
3rd Ward: Kurt P. Legner	7th Ward: Marie T. Kurzer
4th Ward: James Flannery	8th Ward: Kathleen Newsham
9th Ward: Charles M. Brunner	

ADMINISTRATION

CITY MANAGER

Robert V. Belleman

DEPUTY CITY MANAGER OF ADMINISTRATIVE SERVICES/CITY CLERK

Dana Muscott

DEPUTY CITY MANAGER OF COMMUNITY DEVELOPMENT

Steve Black

DIRECTOR OF FISCAL SERVICES

Chris Ball

DIRECTOR OF HUMAN RESOURCES

Dale Berglund

WASTEWATER TREATMENT SUPERINTENDENT

William Kaiser

**POLICE
CHIEF**
Linda Collier

**WATER TREATMENT
SUPERINTENDENT**
John DeKam

**FIRE
CHIEF**
Doug Doefer

**ACTING ELECTRIC
DIRECTOR**
Phil Newton

**Prepared By:
Cathy Szostak,
Chief Accountant**

CITY OF BAY CITY, MICHIGAN
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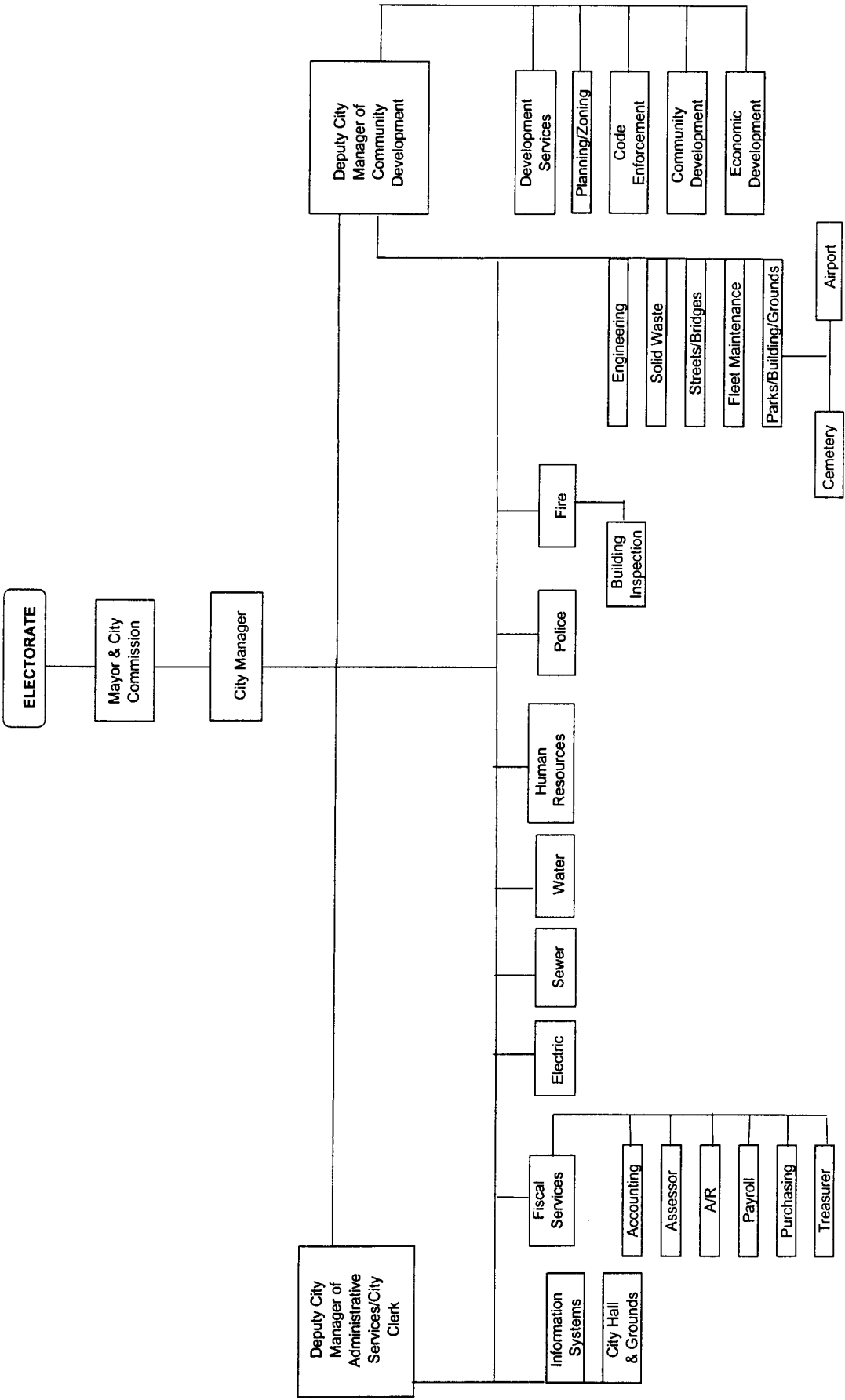
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CITY OF BAY CITY
Organizational Chart





ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

Independent Auditors' Report

To the Honorable Mayor
and City Commission
City of Bay City
Bay City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bay City, Michigan as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bay City, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Downtown Management Board and Wenonah Park Properties, which represent 79 percent and 93 percent, respectively, of the assets and revenues of the component units. We also did not audit the financial statements of the Police and Fire Retirement Fund, which represents 96 percent and 92 percent, respectively, of the assets and revenues of the fiduciary funds. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Downtown Management Board, Wenonah Park Properties, and Police and Fire Retirement Fund, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bay City, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparison for the General Fund, Major Streets Fund, and Rehabilitation Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2004, on our consideration of the City of Bay City, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the historical pension information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Bay City's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Bay City, Michigan. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Andrews Hooper & Pavlik P.L.C.

Bay City, Michigan
November 12, 2004

CITY OF BAY CITY, MICHIGAN MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Bay City's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2004:

- State-shared revenue, the City's second largest revenue source in the general fund, decreased for the third consecutive year. The State of Michigan reduced the City's allocation by \$151,042 from the amount received in the previous fiscal year. The City anticipated a reduction and responded with careful review and control of expenditures such as reducing capital expenditures and leaving vacant positions unfilled in the public safety and parks and recreations departments. As a result, there was an increase in the fund balance of the general fund that exceeded the final amended budget amount by \$526,347.
- Total net assets related to the City's governmental activities decreased by \$950,599 from the previous year and the business-type activities net assets decreased by \$1,587,319 as well. However, the net assets of the component units increased by \$1,886,032.
- The City continues its commitment to improving its road infrastructure and this year spent \$1,202,214 on new road construction and resurfacing and an additional \$215,666 on new sidewalks.
- At the end of the fiscal year, unreserved fund balance for the General Fund was \$5,459,537 or about 27% of the total General Fund expenditures.

Using this Annual Report

This annual report consists of a series of financial statements. The *Statement of Net Assets* and the *Statement of Activities* provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting to measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

CITY OF BAY CITY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Statement of Net Assets* and the *Statement of Activities* distinguish functions of the City that are primarily supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community and economic development, and recreation and culture. The business-type activities of the City include electric, water, and sewer services, as well as municipal airport, cemetery, and marina facilities.

The government-wide financial statements include not only the City itself (known as the primary government), but also the component units which are legally separate authorities for which the City is financially accountable. Financial information for the component units is reported separately from the financial information presented for the primary government itself.

Complete financial statements for the Downtown Management Board may be obtained at their administrative offices located at Commerce One, 901 Saginaw Street, Bay City, Michigan 48708, and complete financial statements for Wenonah Park Properties may be obtained at City Hall located at 301 Washington Avenue, Bay City, Michigan 48708. Separate financial statements for the remaining component units are not prepared.

The Fund financial statements present a short-term view. They tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fund financial statements can be divided into three categories including governmental funds, proprietary funds, and fiduciary funds. The fiduciary fund statements provide information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

The City as a Whole

For the fiscal year ended June 30, 2004, assets exceeded liabilities by \$203,521,539. By far the largest portion of the City's net assets (77 percent) reflects its investment in capital assets (i.e. land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens, consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF BAY CITY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows, in a condensed format, the net assets as of June 30, 2004 (in thousands of dollars):

	Government Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Current and other assets	\$ 21,957	\$ 19,672	\$ 32,966	\$ 34,579	\$ 54,923	\$ 54,251
Capital assets	<u>82,454</u>	<u>83,814</u>	<u>154,854</u>	<u>151,209</u>	<u>237,308</u>	<u>235,023</u>
Total assets	104,411	103,486	187,820	185,788	292,230	289,274
Current and other liabilities	3,422	3,767	5,464	4,312	8,886	8,079
Long-term liabilities	<u>25,200</u>	<u>24,853</u>	<u>52,207</u>	<u>52,820</u>	<u>77,407</u>	<u>77,673</u>
Total liabilities	28,622	28,620	57,671	57,132	86,293	85,752
Net Assets:						
Invested in capital assets –						
Net of related debt	\$ 64,467	\$ 58,961	\$ 102,647	\$ 98,390	\$ 167,114	\$ 157,351
Restricted	1,379	2,271	1,160	32	2,539	2,303
Unrestricted	<u>9,943</u>	<u>13,634</u>	<u>26,341</u>	<u>30,234</u>	<u>36,284</u>	<u>43,868</u>
Total net assets	<u>\$ 75,789</u>	<u>\$ 74,866</u>	<u>\$ 130,148</u>	<u>\$ 128,656</u>	<u>\$ 205,937</u>	<u>\$ 203,522</u>

The City's combined net assets decreased by \$2,537,918 from \$206,059,457 in 2003 to \$203,521,539 in 2004. There was a prior period adjustment to last year's ending net assets, thus restating the current year's beginning net assets by \$122,526. As we look at the governmental activities separately from the Business-type activities, we can see that the current level of unrestricted net assets – the part of net assets that can be used to finance day-to-day operations – is \$13,634,247, or about 42% of the governmental activities expenditures.

CITY OF BAY CITY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets during the current year (in thousands of dollars):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
Revenue						
Program revenue						
Charges for services	\$ 2,718	\$ 6,996	\$ 36,213	\$ 37,620	\$ 38,932	\$ 44,616
Operating grants and contributions	2,849	5,900	-	26	2,849	5,926
Capital grants and contributions	3,232	-	-	-	3,232	-
General revenue						
Property taxes	13,263	13,142	-	-	13,263	13,142
State-shared revenue	5,572	5,458	-	-	5,572	5,458
Unrestricted investment earnings	260	274	658	438	917	712
Franchise Fees	342	-	-	-	342	-
Miscellaneous	4,128	68	117	40	4,245	108
Total Revenue	32,363	31,838	36,989	38,124	69,352	69,962
Program Expenses						
General Government	6,530	6,337	-	-	6,530	6,337
Public safety	13,145	13,014	-	-	13,145	13,014
Public works	5,638	11,019	421	435	6,059	11,454
Community and economic development	1,859	-	-	-	1,859	-
Recreation and culture	1,046	941	-	-	1,046	941
Interest on long-term debt	1,562	1,359	-	-	1,562	1,359
Electric	-	-	22,574	22,116	22,574	22,116
Water	-	-	7,330	6,939	7,330	6,939
Sewer	-	-	8,318	10,340	8,318	10,340
Total program expenses	29,780	32,670	38,643	39,830	68,423	72,500
Increase (decrease) in net assets before transfers and special items	2,583	(832)	(1,654)	(1,706)	929	(2,538)
Special items	50	-	-	-	50	-
Transfers	(81)	(119)	81	119	-	-
Change in net assets	2,552	(951)	(1,573)	(1,587)	979	(2,538)
Net assets beginning of year	73,237	75,817	131,722	130,243	204,958	206,059
Net assets end of year	<u>\$ 75,789</u>	<u>\$ 74,866</u>	<u>\$ 130,148</u>	<u>\$ 128,656</u>	<u>\$ 205,937</u>	<u>\$ 203,521</u>

Governmental Activities

The City's total governmental net assets decreased by \$950,599 caused by decreases in state-shared revenue and interest income. In addition, the following factors contributed to the decrease:

- Program revenues decreased by approximately \$525,000 primarily caused by the reduction of capital grants and contributions and a reduction in property taxes.
- Program expenses increased by approximately \$2,890,000. This was caused in most part by the increased expenditures in the Public Works area as a result of the beginning of the initial construction phase of the North Union project and various capital/development projects within the Community Development Block Grant program.

CITY OF BAY CITY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-Type Activities

The City's business-type activities consist of the Electric, Water, Sewer, Airport, Cemetery, and Marina Funds. These services are provided to all City residents. Electrical services also extend to numerous customers outside of the City limits. In addition to City residents, the City provides water to residents of the City of Essexville, Hampton Township, and Bay County. The City provides sewage treatment through a City-owned sewage treatment plant. These services are also extended to Hampton Township and portions of Portsmouth Township. The business-type activities saw an overall decrease in net assets of \$1,587,319 due primarily to the following:

- The Sewer Fund experienced a decrease in net assets of \$1,804,158. The primary reason for this decrease was an increase in debt service and depreciation expense as well as a loss on the disposal of capital assets.
- The Liberty Harbor Marina also experienced a decrease in net assets of \$43,435 due to an increase in the cost of sales and service.
- The Electric and Water Funds both experienced an increase in net assets of \$132,337 and \$269,071 respectively. The increase was primarily due to growth and better than expected performance in both of the utilities.
- The Oakridge Cemetery Fund reported an increase in net assets of \$2,166 and James Clements Airport Fund reported no change in its net assets. However, both funds continued to require subsidies from the general fund in the amounts of \$65,642 and \$69,140, respectively.

The City expended \$2,112,089 in 2004 which completed the required capital improvements to the Waste Water Treatment Plant as ordered by a consent judgment from the State of Michigan. The total cost of the upgrade amounted to \$42,781,629. The majority of the capital improvements were funded through State Revolving Loan proceeds.

The City's Funds

An analysis of the City's major funds begins on page 15, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Commission creates funds to help manage monies for specific purposes as well as to show accountability for certain activities, such as a special property tax millage. The City's major governmental funds for 2004 include the General Fund, Major Street Fund, and Rehabilitation Fund.

The General Fund is the chief operating fund of the City. The most significant source of revenue is property taxes, which generated \$9,604,640 in 2004. The most significant service accounted for in this fund is public safety, which incurred expenses of \$11,330,604 in 2004. Public safety expenditures equate to approximately 59% of the total expenditures and are more than the amount of property taxes generated. At the fiscal year ended June 30, 2004, the unreserved fund balance of the General Fund was \$5,459,537, while the total fund balance was \$5,463,920. As a measure of the General Fund's liquidity, it may be useful to compare the unreserved fund balance to total fund

CITY OF BAY CITY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

expenditures. Unreserved fund balance represents 27% of the total General Fund expenditures.

The Major Streets Fund is used to account for the use of motor fuel taxes and trunkline maintenance funds, which are required by the State to be used for major street and highway purposes. The City also dedicates 1.5 mills of its general operating millage to be used for the construction and maintenance of its streets. These monies along with some state and federal grants and other miscellaneous income allowed the City to expend \$1,189,339 on capital projects and another \$2,692,119 on maintenance of its streets. The Major Streets Fund ended the year with an unreserved fund balance of \$808,189.

The Rehabilitation Fund is used to account for revenues and expenditures related to providing financing to low and moderate income individuals to assist in home improvement. In the fiscal year ended June 30, 2004, \$802,340 was spent to assist residents of the City with home improvements.

Some notable items in the other governmental activities are:

- The Local Street Fund ended the year with an unreserved fund balance of \$159,247, which amounts to about 14.8% of its expenditures this year.
- The Building Inspection Fund continued to require a General Fund subsidy of \$368,220 in the current year, despite the fact that state law allows local units to charge the appropriate fees necessary to cover expenses.
- The Solid Waste Fund ended the fiscal year with an unreserved fund balance of \$210,865. This is the second year since the City went to a fee-based system versus a millage that no General Fund subsidy was required. The City Commission has already passed a resolution with the intent to reimburse the General Fund for all previous subsidies loaned to the Solid Waste Fund. An amount of \$66,490 has been budgeted in the next fiscal year.
- The Public Improvement Fund ended the year with an unreserved fund balance of \$438,392. It is the City's intent is to reserve \$250,000 per year for the next 4 years to accumulate \$1,000,000 for the replacement of the roof on City Hall.

CITY OF BAY CITY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events that occurred during the year. The most significant amendments occurred due to the following:

- The City anticipated lower interest rates and as a result reduced interest earnings by \$150,000.
- State shared revenues were further refined and increased by \$29,275.
- The Fire Department received additional grants in the amount of \$91,582 and thus increased revenue and subsequently increased their equipment expenditures by a similar amount.
- As a result of a higher than expected fund balance in the Solid Waste Fund the previous year, the City amended its budget in the amount of \$197,634 to reflect a transfer from this fund to the General Fund to pay off previous subsidies.

The other differences between the original and final amended budget for expenditures were relatively minor.

During the year, actual revenues were less than budgetary estimates, however, the actual expenses were also less than budgetary estimates. This resulted in an actual increase in fund balance that exceeded the final amended budget by \$526,347.

Capital Assets and Debt Administration

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2004 amounted to \$235,022,864 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, sidewalks, and bridges.

Major capital asset events during the fiscal year included the following:

- The renovation to the Wastewater Treatment Plant was completed and increased the value of the asset by \$2,112,089.
- The construction phase of the North Union project began with \$834,992 spent during the year.
- Electric and Water Funds both completed various capital projects totaling \$1,813,436 and \$1,199,159, respectively.

The component units reported an increase in their capital assets of \$18,058,656 due primarily to the construction of the hotel/conference center within the Wenonah Park Properties component unit. The project was completed in June of 2004.

CITY OF BAY CITY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Debt. In the fiscal year ended June 30, 2004, the City had total outstanding debt of \$77,672,628, which included a current portion of \$5,665,371. Of this amount, \$67,353,869 is backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured by specific sources (revenue bonds). The long-term debt can be summarized as follows:

	<u>2003</u>	<u>2004</u>
General obligation bonds	\$ 24,068,211	\$ 23,336,664
Revenue bonds	11,184,741	10,318,760
Other notes/leases payable	38,945,427	40,672,943
Compensated absences	<u>3,208,632</u>	<u>3,344,261</u>
Total	<u>\$ 77,407,011</u>	<u>\$ 77,672,628</u>

The City's total debt increased by \$265,617 during the fiscal year. State statute limits the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$77,511,500 which is significantly in excess of the City's outstanding general obligation debt applicable to this limit.

Additional information on the City's long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

Because of the State of Michigan's economic conditions, state-shared revenues, the second largest source of revenue in the General Fund, continues to be an important factor in the preparation of the City's budget. Additional reductions have been forecast for the next fiscal year. Another issue will be the continued rise in healthcare costs. In this fiscal year, the increase was 19% over the previous fiscal year and additional increases are expected in the future. The City's property taxes are at the limit allowed by Charter of 19 mills, which has been reduced by the Headlee Amendment to 17.6905 mills for general operating.

The City's Electric Utility instituted a rate increase in the middle of the fiscal year ended June 30, 2004 while the Water and Sewer Utilities anticipate rate increases in the next fiscal year. All three utilities will be evaluated on a yearly basis to determine the appropriate charges for services reflective of the cost of doing business.

The City's budget for the last three years has limited the amount of capital expenditures in all areas. Many necessary improvements have been delayed and will have to be addressed in the near future. One such area of concern is the replacement of the roof on City Hall. It is estimated that this will cost more than \$1 million. During this fiscal year, \$250,000 was reserved for this project in the Public Improvement Fund with an additional \$250,000 set aside in the budget for the 2004/2005 fiscal year to accumulate the necessary funding to complete this project in the future. The City remains committed to maintaining and improving its level of service to its citizens and intends to continue to invest in its capital assets. This is one of the many challenges that will need to be addressed in future budgets.

Contacting the City's Management

The financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Finance Department, 301 Washington Avenue, Bay City, Michigan 48708.

City of Bay City, Michigan
Statement of Net Assets
June 30, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 11,823,686	\$ 23,265,796	\$ 35,089,482	\$ 6,736,990
Accounts receivable	8,984,564	6,090,358	15,074,922	4,839,380
Internal balances	(1,713,497)	1,713,497	-	-
Prepaid items and other assets	128,039	205,614	333,653	959,514
Inventory	141,413	2,232,695	2,374,108	-
Restricted cash and cash equivalents	308,045	13,312	321,357	-
Restricted investments	-	1,057,104	1,057,104	4,030,580
Nondepreciable capital assets	19,933,168	468,484	20,401,652	2,140,000
Capital assets, net of depreciation	63,880,518	150,740,694	214,621,212	29,176,480
Total assets	103,485,936	185,787,554	289,273,490	47,882,944
Liabilities				
Accounts payable and other accrued expenses	3,695,484	3,776,991	7,472,475	1,363,368
Interest payable	44,262	534,117	578,379	299,774
Unearned revenues	27,537	932	28,469	400
Noncurrent liabilities:				
Due within one year	2,532,570	3,132,801	5,665,371	118,333
Due in more than one year	22,320,122	49,687,135	72,007,257	23,752,303
Total liabilities	28,619,975	57,131,976	85,751,951	25,534,178
Net Assets				
Invested in capital assets, net of related debt	58,960,994	98,389,242	157,350,236	8,400,121
Restricted for:				
Debt service	115,168	32,104	147,272	-
Capital projects	2,155,552	-	2,155,552	-
Unrestricted	13,634,247	30,234,232	43,868,479	13,948,645
Total net assets	\$ 74,865,961	\$ 128,655,578	\$ 203,521,539	\$ 22,348,766

The accompanying notes are an integral part of these financial statements.

City of Bay City, Michigan
Statement of Activities
For the Year Ended June 30, 2004

Functions / Programs	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 6,336,812	\$ 4,344,639	\$ 1,972,575	\$ -	(19,598)
Public safety	13,014,064	639,637	109,987	-	(12,264,440)
Public works	11,018,659	2,006,127	3,791,521	21	(5,220,990)
Recreation and cultural	940,539	6,016	25,743	-	(908,780)
Interest on debt	1,359,312	-	-	-	(1,359,312)
Total governmental activities	<u>32,669,386</u>	<u>6,996,419</u>	<u>5,899,826</u>	<u>21</u>	<u>(19,773,120)</u>
Business-type activities:					
Electric	22,116,005	21,972,076	-	-	(143,929)
Water	6,938,504	7,059,741	-	-	121,237
Sewer	10,340,294	8,357,848	-	-	(1,982,446)
Oak Ridge Cemetery	131,035	65,493	-	-	(65,542)
James Clements Airport	131,702	37,087	25,650	-	(68,965)
Liberty Harbor Marina	172,340	127,286	-	-	(45,054)
Total business-type activities	<u>39,829,880</u>	<u>37,619,531</u>	<u>25,650</u>	<u>-</u>	<u>(2,184,699)</u>
Total primary government	<u>\$ 72,499,266</u>	<u>\$ 44,615,950</u>	<u>\$ 5,925,476</u>	<u>\$ 21</u>	<u>\$ (21,957,819)</u>
Component units					
Downtown Development Authority	\$ 151,497	\$ 155,687	\$ -	\$ -	\$ 4,190
Midland Street TIFA	3,868	-	-	-	(3,868)
Kresge's DDA	-	-	-	-	-
Marquette District TIFA	89,596	-	-	-	(89,596)
Water Street DDA	151,299	-	-	-	(151,299)
Marina Development TIFA	44,497	-	-	-	(44,497)
Allen Healthcare DDA	7,246	-	-	-	(7,246)
Research Center Development TIFA	-	-	-	-	-
Knepp's DDA	-	-	-	-	-
Brownfield Redevelopment	-	-	-	-	-
Columbus Avenue Management Board	8,383	7,850	1,319	-	786
Midland Street Management Board	20,710	19,100	-	-	(1,610)
POWER EDC	480,584	-	24,350	-	(456,234)
Downtown Management Board	231,621	46,872	65,199	-	(119,550)
Wenonah Park Properties	1,277,734	-	-	2,681,986	1,404,252
Total component units	<u>\$ 2,467,035</u>	<u>\$ 229,509</u>	<u>\$ 90,868</u>	<u>\$ 2,681,986</u>	<u>\$ 535,328</u>

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City of Bay City, Michigan
Statement of Activities (Concluded)
For the Year Ended June 30, 2004

Functions/Programs	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net (expense) revenue	\$ (19,773,120)	\$ (2,184,699)	\$ (21,957,819)	\$ 535,328
General revenues:				
Property taxes	13,142,381	-	13,142,381	974,435
Grants and contributions not restricted to specific programs	5,457,910	-	5,457,910	-
Unrestricted investment earnings	274,084	438,117	712,201	375,625
Miscellaneous revenue	67,503	39,906	107,409	645
Transfers - internal activities	(119,357)	119,357	-	-
Total general revenues, contributions and transfers	18,822,521	597,380	19,419,901	1,350,705
Change in net assets	(950,599)	(1,587,319)	(2,537,918)	1,886,033
Net assets, beginning of year, as restated	75,816,560	130,242,897	206,059,457	20,462,733
Net assets, end of year	\$ 74,865,961	\$ 128,655,578	\$ 203,521,539	\$ 22,348,766

The accompanying notes are an integral part of the financial statements.

City of Bay City, Michigan
Balance Sheet
Governmental Funds
June 30, 2004

	General	Major Streets	Rehabilitation Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 5,230,869	\$ 257,116	\$ 94,240	\$ 3,171,885	\$ 8,754,110
Receivables (net of allowance for uncollectibles):					
Accounts	141,859	14,044	1,500	327,734	485,137
Delinquent taxes	203,679	-	-	38,525	242,204
Special assessments	55,195	-	2,048	35,517	92,760
Accrued interest	44,457	2,075	-	23,508	70,040
Notes	-	-	6,838,848	-	6,838,848
Due from other funds	1,244,483	298,507	-	577,533	2,120,523
Due from other component units	25,743	-	-	-	25,743
Due from other governments	45,052	548,252	29,567	338,550	961,421
Inventories	4,383	41,922	-	-	46,305
Total Assets	<u>\$ 6,995,720</u>	<u>\$ 1,161,916</u>	<u>\$ 6,966,203</u>	<u>\$ 4,513,252</u>	<u>\$ 19,637,091</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 198,322	\$ 201,529	\$ 27,129	\$ 194,968	\$ 621,948
Accrued liabilities	852,143	104,796	-	306,583	1,263,522
Due to other funds	310,996	9	96,677	435,773	843,455
Due to component units	14,440	-	-	5,296	19,736
Due to other governmental units	85,227	5,471	-	113,699	204,397
Deposits	317	-	-	35,681	35,998
Deferred revenue	70,355	-	6,842,397	8,101	6,920,853
Total liabilities	<u>1,531,800</u>	<u>311,805</u>	<u>6,966,203</u>	<u>1,100,101</u>	<u>9,909,909</u>
Fund balances					
Reserved for:					
Inventories	4,383	41,922	-	-	46,305
Unreserved, reported in:					
General Fund	5,459,537	-	-	-	5,459,537
Special Revenue Funds	-	808,189	-	1,142,431	1,950,620
Debt Service Funds	-	-	-	115,168	115,168
Capital Project Funds	-	-	-	2,155,552	2,155,552
Total fund balances	<u>5,463,920</u>	<u>850,111</u>	<u>-</u>	<u>3,413,151</u>	<u>9,727,182</u>
Total liabilities and fund balances	<u>\$ 6,995,720</u>	<u>\$ 1,161,916</u>	<u>\$ 6,966,203</u>	<u>\$ 4,513,252</u>	<u>\$ 19,637,091</u>

The accompanying notes are an integral part of the financial statements.

City of Bay City, Michigan
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2004

Fund balances - total governmental funds	\$ 9,727,182
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

Add: capital assets	147,082,927
Subtract: accumulated depreciation	(69,083,673)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred receivables	6,893,315
Subtract: allowance for doubtful accounts	(63,361)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in internal service funds	4,595,793
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Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Add: unamortized issuance costs	53,381
Subtract: interest payable	(39,171)
Subtract: bonds payable	(22,031,663)
Subtract: capital leases	(46,107)
Subtract: compensated absences and other long-term liabilities	(2,222,662)

Net assets of governmental activities	<u>\$ 74,865,961</u>
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The accompanying notes are an integral part of these financial statements.

City of Bay City, Michigan
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

	General Fund	Major Streets Fund	Rehabilitation Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 9,604,640	\$ 848,744	\$ -	\$ 2,015,481	\$ 12,468,865
Licenses and permits	19,655	-	-	382,419	402,074
Intergovernmental	6,637,379	2,973,374	358,174	2,457,302	12,426,229
Charges for services	3,514,209	-	-	1,874,185	5,388,394
Fines and forfeitures	145,309	-	-	25,280	170,589
Interest revenue	157,888	11,093	13,263	60,879	243,123
Miscellaneous revenues	155,811	108,478	387,920	127,050	779,259
Total revenues	<u>20,234,891</u>	<u>3,941,689</u>	<u>759,357</u>	<u>6,942,596</u>	<u>31,878,533</u>
Expenditures					
Current:					
General government	4,958,908	-	-	-	4,958,908
Public safety	11,330,604	-	-	-	12,529,777
Public works	1,499,969	2,692,119	-	1,199,173	5,256,643
Physical environment	-	-	-	1,064,555	1,637,428
Parks and recreation	953,965	-	-	1,637,428	953,965
Economic development	-	-	-	-	2,029,965
Capital outlay	406,650	1,189,339	802,340	1,227,625	2,354,315
Debt service:					
Principal retirement	-	-	-	758,326	2,110,000
Interest and fiscal charges	-	-	-	2,110,000	158,273
Total expenditures	<u>19,150,096</u>	<u>3,881,458</u>	<u>802,340</u>	<u>8,155,380</u>	<u>31,989,274</u>
Excess of revenues over (under) expenditures	<u>1,084,795</u>	<u>60,231</u>	<u>(42,983)</u>	<u>(1,212,784)</u>	<u>(110,741)</u>
Other financing sources (uses)					
Lease proceeds	30,875	-	-	-	30,875
Transfer in	197,634	-	442,507	-	2,397,232
Transfer out	(846,214)	(351,967)	(404,693)	1,757,091	(2,516,589)
Total other financing sources (uses)	<u>(617,705)</u>	<u>(351,967)</u>	<u>37,814</u>	<u>843,376</u>	<u>(88,482)</u>
Changes in fund balances	467,090	(291,736)	(5,169)	(369,408)	(199,223)
Fund balances - beginning of year, as restated	<u>4,996,830</u>	<u>1,141,847</u>	<u>5,169</u>	<u>3,782,559</u>	<u>9,926,405</u>
Fund balances - end of year	<u>\$ 5,463,920</u>	<u>\$ 850,111</u>	<u>\$ -</u>	<u>\$ 3,413,151</u>	<u>\$ 9,727,182</u>

The accompanying notes are an integral part of the financial statements.

City of Bay City, Michigan
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ (199,223)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	2,473,631
Subtract: net value of assets disposed	(60,492)
Subtract: depreciation expense	(3,648,464)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Add: current year change in special assessments receivable	74,334
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on bonds	2,110,000
Add: principal payments on capital leases	19,195
Add: decrease in interest accrued on bonds	34,032
Subtract: increase in outstanding principal as a result of bond refunding	(140,000)
Subtract: deferred bond issuance costs	53,381
Subtract: interest accrued on zero coupon bond	(1,288,453)
Subtract: capital lease proceeds received	(30,875)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Subtract: increase in the accrual of compensated absences	(83,763)
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

Add: net operating gain from governmental activities accounted for in internal service funds	(263,902)
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Change in net assets of governmental activities	\$ (950,599)
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The accompanying notes are an integral part of these financial statements.

City of Bay City, Michigan
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 9,698,986	\$ 9,698,986	\$ 9,604,640	\$ (94,346)
Licenses and permits	23,525	23,525	19,655	(3,870)
Intergovernmental	6,968,091	7,099,857	6,637,379	(462,478)
Charges for services	3,517,444	3,517,444	3,514,209	(3,235)
Fines and forfeitures	145,000	145,000	145,309	309
Interest revenue	405,022	255,022	157,888	(97,134)
Miscellaneous revenues	151,869	151,869	155,811	3,942
Total revenues	<u>20,909,937</u>	<u>20,891,703</u>	<u>20,234,891</u>	<u>(656,812)</u>
Expenditures				
Current:				
General government	4,997,940	5,089,777	4,958,908	130,869
Public safety	11,792,874	11,801,781	11,330,604	471,177
Highways, streets & bridges	1,917,819	1,892,799	1,499,969	392,830
Parks and recreation	1,083,792	1,083,792	953,965	129,827
Capital outlay	376,091	509,675	406,650	103,025
Debt service:				
Principal retirement	36,249	36,249	-	36,249
Interest and fiscal charges	1,450	1,450	-	1,450
Total expenditures	<u>20,206,215</u>	<u>20,415,523</u>	<u>19,150,096</u>	<u>1,265,427</u>
Excess of revenues over (under) expenditures	<u>703,722</u>	<u>476,180</u>	<u>1,084,795</u>	<u>608,615</u>
Other financing sources (uses)				
Lease proceeds	-	-	30,875	30,875
Transfer in	-	197,634	197,634	-
Transfer out	(733,071)	(733,071)	(846,214)	(113,143)
Total other financing sources (uses)	<u>(733,071)</u>	<u>(535,437)</u>	<u>(617,705)</u>	<u>(82,268)</u>
Changes in fund balances	<u>(29,349)</u>	<u>(59,257)</u>	<u>467,090</u>	<u>526,347</u>
Fund balances - beginning of year	<u>4,996,830</u>	<u>4,996,830</u>	<u>4,996,830</u>	<u>-</u>
Fund balances - end of year	<u>\$ 4,967,481</u>	<u>\$ 4,937,573</u>	<u>\$ 5,463,920</u>	<u>\$ 526,347</u>

The accompanying notes are an integral part of the financial statements.

City of Bay City, Michigan
Major Streets Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes:				
Property taxes	\$ 852,681	\$ 852,681	\$ 848,744	\$ (3,937)
Intergovernmental:				
State	4,153,750	4,153,750	2,909,653	(1,244,097)
Local	-	-	63,721	63,721
Miscellaneous:				
Interest earnings	7,000	7,000	11,093	4,093
Reimbursements	3,500	3,500	69,914	66,414
Other	15,000	15,000	38,564	23,564
Total revenues	<u>5,031,931</u>	<u>5,031,931</u>	<u>3,941,689</u>	<u>(1,090,242)</u>
Expenditures				
Public works				
Highways, streets, and bridges	2,807,283	2,803,876	2,692,119	111,757
Capital outlay	2,981,096	2,984,503	1,189,339	1,795,164
Total expenditures	<u>5,788,379</u>	<u>5,788,379</u>	<u>3,881,458</u>	<u>1,906,921</u>
Excess of revenues over (under) expenditures	<u>(756,448)</u>	<u>(756,448)</u>	<u>60,231</u>	<u>816,679</u>
Other financing sources (uses)				
Transfer in	151,296	151,296	-	(151,296)
Transfer out	(351,967)	(351,967)	(351,967)	-
Total other financing sources (uses)	<u>(200,671)</u>	<u>(200,671)</u>	<u>(351,967)</u>	<u>(151,296)</u>
Changes in fund balances	<u>(957,119)</u>	<u>(957,119)</u>	<u>(291,736)</u>	<u>665,383</u>
Fund balances - beginning of year, as restated	<u>1,141,847</u>	<u>1,141,847</u>	<u>1,141,847</u>	<u>-</u>
Fund balances - end of year	<u>\$ 184,728</u>	<u>\$ 184,728</u>	<u>\$ 850,111</u>	<u>\$ 665,383</u>

The accompanying notes are an integral part of the financial statements.

City of Bay City, Michigan
Rehabilitation Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental:				
Federal	\$ -	\$ -	\$ 358,174	\$ 358,174
Miscellaneous:				
Program income	-	-	387,920	387,920
Interest earnings	17,150	17,150	13,263	(3,887)
Total revenues	<u>17,150</u>	<u>17,150</u>	<u>759,357</u>	<u>742,207</u>
Expenditures				
Economic development	-	-	802,340	(802,340)
Total expenditures	<u>-</u>	<u>-</u>	<u>802,340</u>	<u>(802,340)</u>
Excess of revenues over (under) expenditures	<u>17,150</u>	<u>17,150</u>	<u>(42,983)</u>	<u>(60,133)</u>
Other financing sources (uses)				
Operating transfer in	495,000	495,000	442,507	(52,493)
Operating transfer out	(123,606)	(123,606)	(404,693)	(281,087)
Total other financing sources (uses)	<u>371,394</u>	<u>371,394</u>	<u>37,814</u>	<u>(333,580)</u>
Changes in fund balances	<u>388,544</u>	<u>388,544</u>	<u>(5,169)</u>	<u>(393,713)</u>
Fund balances - beginning of year	<u>5,169</u>	<u>5,169</u>	<u>5,169</u>	<u>-</u>
Fund balances - end of year	<u>\$ 393,713</u>	<u>\$ 393,713</u>	<u>\$ -</u>	<u>\$ (393,713)</u>

The accompanying notes are an integral part of the financial statements.

City of Bay City, Michigan
Statement of Net Assets
Proprietary Funds
June 30, 2004

	Electric	Water	Sewer	Other Enterprise Funds	Total	Internal Service Funds
Current assets						
Cash and cash equivalents	\$ 16,582,649	\$ 5,054,624	\$ 1,475,953	\$ 152,570	\$ 23,265,796	\$ 3,069,576
Receivables (net of allowance for uncollectibles)						
Accounts	3,387,588	547,512	1,285,695	14,179	5,234,974	318,669
Special assessments	-	-	1,573	-	1,573	-
Accrued interest	131,833	40,865	11,929	1,651	186,278	13,103
Due from other funds	45,690	55,199	156,598	70,842	328,329	151,017
Due from other governments	-	-	667,533	-	667,533	-
Inventories	1,593,199	513,097	126,399	-	2,232,695	95,108
Prepaid expenses	-	-	-	-	-	74,658
Deposits	-	12,870	442	-	13,312	308,045
Total current assets	<u>21,740,959</u>	<u>6,224,167</u>	<u>3,726,122</u>	<u>239,242</u>	<u>31,930,490</u>	<u>4,030,176</u>
Restricted assets						
Debt service funds - investments	<u>1,057,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,057,104</u>	<u>-</u>
Other assets						
Unamortized debt expense	<u>47,047</u>	<u>-</u>	<u>158,567</u>	<u>-</u>	<u>205,614</u>	<u>-</u>
Capital assets						
Land and improvements	-	-	-	4,222,494	4,222,494	-
Buildings	-	-	-	625,400	625,400	-
Machinery and equipment	-	-	-	13,829	13,829	12,161,283
Utility plant in service	<u>61,780,614</u>	<u>52,002,072</u>	<u>151,068,545</u>	<u>-</u>	<u>264,851,231</u>	<u>-</u>
	61,780,614	52,002,072	151,068,545	4,861,723	269,712,954	12,161,283
Less: accumulated depreciation	<u>30,243,950</u>	<u>31,785,407</u>	<u>54,969,054</u>	<u>1,505,365</u>	<u>118,503,776</u>	<u>6,346,851</u>
Net capital assets	<u>31,536,664</u>	<u>20,216,665</u>	<u>96,099,491</u>	<u>3,356,358</u>	<u>151,209,178</u>	<u>5,814,432</u>
Total assets	<u>\$ 54,381,774</u>	<u>\$ 26,440,832</u>	<u>\$ 99,984,180</u>	<u>\$ 3,595,600</u>	<u>\$ 184,402,386</u>	<u>\$ 9,844,608</u>

The accompanying notes are an integral part of the financial statements.

	Electric	Water	Sewer	Other Enterprise Funds	Total	Internal Service Funds
Liabilities						
Current liabilities						
Accounts payable	\$ 1,087,687	\$ 473,650	\$ 1,357,793	\$ 10,762	\$ 2,929,892	\$ 176,835
Accrued liabilities	230,272	197,513	173,370	1,527	602,682	1,354,444
Due to other funds	989,281	237,789	-	37,306	1,264,376	492,038
Due to component units	24,350	-	-	-	24,350	721
Due to other governmental units	55,868	-	-	-	55,868	17,824
Interest payable	276,136	-	257,981	-	534,117	5,091
Deposits	121,498	42,701	-	-	164,199	59
Deferred revenue	-	-	932	-	932	-
Notes payable - current	-	-	-	-	-	45,736
Bonds payable - current	1,085,000	-	1,760,000	-	2,845,000	-
Total current liabilities	3,870,092	951,653	3,550,076	49,595	8,421,416	2,092,748
Long-term debt						
Accrued compensated absences	431,782	364,651	201,054	-	997,487	124,112
Notes payable	-	-	-	-	-	382,411
Bonds payable	9,233,760	-	39,743,689	-	48,977,449	-
Total liabilities	13,535,634	1,316,304	43,494,819	49,595	58,396,352	2,599,271
Net assets						
Invested in capital assets, net of related debt	21,217,904	20,216,665	54,595,802	3,356,358	99,386,729	5,386,285
Unrestricted	19,628,236	4,907,863	1,893,559	189,647	26,619,305	1,859,052
Total net assets	\$ 40,846,140	\$ 25,124,528	\$ 56,489,361	\$ 3,546,005	\$ 126,006,034	\$ 7,245,337

The accompanying notes are an integral part of the financial statements.

City of Bay City, Michigan
Reconciliation of the Enterprise Funds Statement of Net Assets
to the Business-type Activities in the Statement of Net Assets

Net assets - total enterprise funds	\$ 126,006,034
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in business-type activities in the statement of net assets.

Add: net assets of business-type activities accounted for in internal service funds	<u>2,649,544</u>
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Net assets of business-type activities	<u><u>\$ 128,655,578</u></u>
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The accompanying notes are an integral part of these financial statements.

City of Bay City, Michigan
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2004

	Electric	Water	Sewer	Other Enterprise Funds	Total	Internal Service Funds
Operating revenues						
Charges for services:						
Sales	\$ 21,656,566	\$ 7,051,599	\$ 8,257,058	\$ 66,733	\$ 37,031,956	\$ 9,181,060
Rents	-	-	-	150,979	150,979	3,397,751
Miscellaneous	330,927	18,909	113,989	12,677	476,502	567,285
Total operating revenues	21,987,493	7,070,508	8,371,047	230,389	37,659,437	13,146,096
Operating expenses						
Cost of sales and service	16,245,370	4,622,396	4,685,618	319,843	25,873,227	2,500,890
Administration	3,016,977	1,016,072	986,932	-	5,019,981	144,210
Claims and benefits	-	-	-	-	-	10,050,040
Depreciation	2,029,038	1,249,622	3,024,198	115,376	6,418,234	859,483
Total operating expenses	21,291,385	6,888,090	8,696,748	435,219	37,311,442	13,554,623
Operating income (loss)	696,108	182,418	(325,701)	(204,830)	347,995	(408,527)
Nonoperating revenues (expenses)						
Intergovernmental:						
Federal grants	-	-	-	24,300	24,300	-
State grants	-	-	-	1,350	1,350	-
Interest earnings	315,354	86,653	32,981	3,129	438,117	30,971
Interest expense	(580,460)	-	(1,046,896)	-	(1,627,356)	(15,767)
Net loss on disposal of capital assets	-	-	(543,043)	-	(543,043)	(13,879)
Amortization of bond discount/deferred costs	(192,284)	-	(12,455)	-	(204,739)	-
Total nonoperating revenues (expenses)	(457,390)	86,653	(1,569,413)	28,779	(1,911,371)	1,325
Income (loss) before transfers	238,718	269,071	(1,895,114)	(176,051)	(1,563,376)	(407,202)
Transfers						
Transfer in	-	-	106,381	134,782	241,163	-
Transfer out	(106,381)	-	(15,425)	-	(121,806)	-
Total transfers	(106,381)	-	90,956	134,782	119,357	-
Changes in net assets	132,337	269,071	(1,804,158)	(41,269)	(1,444,019)	(407,202)
Net assets - beginning of year	40,713,803	24,855,457	58,293,519	3,587,274	127,450,053	7,652,539
Net assets - end of year	\$ 40,846,140	\$ 25,124,528	\$ 56,489,361	\$ 3,546,005	\$ 126,006,034	\$ 7,245,337

The accompanying notes are an integral part of the financial statements.

City of Bay City, Michigan
Reconciliation of the Enterprise Funds Statement of Revenues, Expenses and
Changes in Net Assets to the Business-type Activities in the Statement of Activities
For the Year Ended June 30, 2004

Net change in net assets - total enterprise funds	\$ (1,444,019)
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with business-type activities.

Add: net operating gain from business-type activities accounted for in internal service funds	<u>(143,300)</u>
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Change in net assets of business-type activities	<u><u>\$ (1,587,319)</u></u>
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The accompanying notes are an integral part of these financial statements.

City of Bay City, Michigan
Proprietary Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2004

	Electric	Water	Sewer	Other Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities						
Cash received from customers and users	\$ 21,219,589	\$ 6,988,314	\$ 8,127,797	\$ 226,636	\$ 36,562,336	\$ -
Cash received from internal users	-	-	-	-	-	13,106,724
Cash payments to suppliers for goods and services	(15,055,515)	(2,123,774)	(3,995,426)	(304,051)	(21,478,766)	(12,053,555)
Cash payments to employees for services	(3,250,512)	(3,027,838)	(2,698,001)	(42,525)	(9,018,876)	(218,435)
Net cash provided (used) by operating activities	2,913,562	1,836,702	1,434,370	(119,940)	6,064,694	834,734
Cash flows from noncapital financing activities						
Intergovernmental - federal grant	-	-	-	24,300	24,300	-
Intergovernmental - state grant	-	-	-	1,350	1,350	-
Transfers in	-	-	106,381	134,782	241,163	-
Transfers (out)	(106,381)	-	(15,425)	-	(121,806)	-
Net cash flows from noncapital financing activities	(106,381)	-	90,956	160,432	145,007	-
Cash flows from capital and related financing activities						
Purchase of capital assets	(1,548,971)	(1,099,140)	876,173	(27,003)	(1,798,941)	(873,305)
Principal paid on debt	(1,025,000)	-	(1,710,000)	-	(2,735,000)	(36,977)
Interest paid on debt	(580,460)	-	(1,046,896)	-	(1,627,356)	(15,767)
Net cash (used) by capital and related financing activities	(3,154,431)	(1,099,140)	(1,880,723)	(27,003)	(6,161,297)	(926,049)
Cash flows from investing activities						
Interest received	315,354	86,653	32,981	3,129	438,117	24,740
Net increase in cash and cash equivalents	(31,896)	824,215	(322,416)	16,618	486,521	(66,575)
Cash and cash equivalents, beginning of period	16,614,545	4,230,409	1,798,369	135,952	22,779,275	3,136,151
Cash and cash equivalents, end of period	\$ 16,582,649	\$ 5,054,624	\$ 1,475,953	\$ 152,570	\$ 23,265,796	\$ 3,069,576
Reconciliation of operating income to net cash provided by operating activities						
Operating income (loss)	\$ 696,108	\$ 182,418	\$ (325,701)	\$ (204,830)	\$ 347,995	\$ (408,527)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	2,029,038	1,249,622	3,024,198	115,376	6,418,234	859,483
(Increase) decrease in assets:						
Accounts receivable	(630,469)	(26,995)	(387,505)	3,753	(1,041,216)	20,764
Due from other funds	46,055	(55,199)	144,255	(46,544)	88,567	(60,136)
Inventory	74,004	(42,912)	11,825	-	42,917	(19,904)
Prepaid expenses	216,812	8,370	171,021	-	396,203	195,211
Deposits	-	(12,870)	(442)	-	(13,312)	(258,618)
Increase (decrease) in liabilities:						
Accounts payable	(123,992)	309,696	(983,818)	(9,383)	(807,497)	85,120
Accrued liabilities	(106,772)	(6,792)	(214,494)	(126)	(328,184)	(25,361)
Due to other funds	712,778	231,364	(5,203)	21,814	960,753	446,702
Deferred revenue	-	-	234	-	234	-
Total adjustments	2,217,454	1,654,284	1,760,071	84,890	5,716,699	1,243,261
Net cash provided (used) by operating activities	\$ 2,913,562	\$ 1,836,702	\$ 1,434,370	\$ (119,940)	\$ 6,064,694	\$ 834,734

The accompanying notes are an integral part of the financial statements.

City of Bay City, Michigan
Fiduciary Funds
Statement of Net Assets
June 30, 2004

	Pension Trust	Expendable Trust Funds			Agency
	Police & Fire Retirement	General Employees Health Care Investment	Police & Fire Health Care Investment	Total	Trust and Agency
Assets					
Cash and cash equivalents	\$ 1,775,684	\$ 511,199	\$ 313,826	\$ 2,600,709	\$ 672
Investments	45,146,526	540,065	352,246	46,038,837	-
Accounts receivable	126,408	-	-	126,408	-
Interest receivable	-	4,134	2,538	6,672	-
Total assets	<u>47,048,618</u>	<u>1,055,398</u>	<u>668,610</u>	<u>48,772,626</u>	<u>672</u>
Liabilities					
Accounts payable	85,685	-	-	85,685	-
Accrued and other liabilities	-	-	-	-	672
Total liabilities	85,685	-	-	85,685	672
Net assets					
Held in trust for employees' pension benefits	46,962,933	-	-	46,962,933	-
Held in trust for employees' postemployment health care benefits	-	1,055,398	668,610	1,724,008	-
Total net assets	<u>\$ 46,962,933</u>	<u>\$ 1,055,398</u>	<u>\$ 668,610</u>	<u>\$ 48,686,941</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

City of Bay City, Michigan
Statement of Changes in Plan Net Assets
Pension Trust Fund
For the Year Ended June 30, 2004

Additions

Contributions

Employer	\$ 469,453
Plan members	<u>506,801</u>

Total contributions	<u>976,254</u>
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Investment income

Interest and dividends	638,495
Net depreciation in fair value of investments	5,224,899
Investment expense	<u>(316,348)</u>

Net investment income	<u>5,547,046</u>
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Total additions	<u>6,523,300</u>
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Deductions

Benefits and refunds paid to participants	3,668,399
Administrative expenses	<u>66,804</u>

Total deductions	<u>3,735,203</u>
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Net increase in plan net assets	2,788,097
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Net assets held in trust for pension benefits

Beginning of year	<u>44,174,836</u>
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End of year	<u><u>\$ 46,962,933</u></u>
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The accompanying notes are an integral part of these financial statements.

City of Bay City, Michigan
Expendable Trust Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2004

	Health Care Investment	Police & Fire Health Care Investment	Total
Additions			
City contributions	\$ 253,722	\$ 168,205	\$ 421,927
Interest earnings	<u>72,957</u>	<u>47,378</u>	<u>120,335</u>
Total revenues	<u>326,679</u>	<u>215,583</u>	<u>542,262</u>
Changes in net assets	326,679	215,583	542,262
Net assets - beginning of year	<u>728,719</u>	<u>453,027</u>	<u>1,181,746</u>
Net assets - end of year	<u>\$ 1,055,398</u>	<u>\$ 668,610</u>	<u>\$ 1,724,008</u>

The accompanying notes are an integral part of the financial statements.

City of Bay City, Michigan
All Component Units
Combining Statement of Net Assets
June 30, 2004

	Downtown Development Authority	Midland St. TIFA	Kresge's DDA	Marquette District TIFA	Water Street DDA	Marina Develop. TIFA	Allen Health- care DDA
Assets							
Cash and cash equivalents	\$ 7,199	\$ 251,640	\$ 47,725	\$ 1,403,953	\$ 394,451	\$ 594,874	\$ 158
Receivables:							
Accounts	820	-	-	-	-	-	-
Delinquent taxes	952	-	-	-	-	-	-
Accrued interest	58	2,035	-	11,350	3,189	4,810	1
Notes	-	-	-	-	-	-	-
Due from primary government	5,483	-	-	534	-	-	-
Due from other governments	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Restricted investments	-	-	-	-	-	-	-
Land	-	-	-	-	-	-	-
Machinery and equipment, net	92,680	-	-	507,955	668,457	-	-
Deferred financing costs	-	-	-	-	-	-	-
Total assets	<u>107,192</u>	<u>253,675</u>	<u>47,725</u>	<u>1,923,792</u>	<u>1,066,097</u>	<u>599,684</u>	<u>159</u>
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ 27,664	\$ 1,031	\$ -	\$ -
Accrued liabilities	-	-	-	2,382	-	-	-
Due to primary government	-	-	-	-	-	-	-
Interest payable	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Long-term debt:							
Loan payable	-	-	-	-	-	-	-
Revenue bonds payable	-	-	-	-	900,000	-	-
Notes payable	37,316	-	-	-	-	-	83,320
Total liabilities	<u>37,316</u>	<u>-</u>	<u>-</u>	<u>30,046</u>	<u>901,031</u>	<u>-</u>	<u>83,320</u>
Net assets							
Investment in capital assets, net	55,364	-	-	507,955	(231,543)	-	(83,320)
Unrestricted	14,512	253,675	47,725	1,385,791	396,609	599,684	159
Total net assets	<u>\$ 69,876</u>	<u>\$ 253,675</u>	<u>\$ 47,725</u>	<u>\$ 1,893,746</u>	<u>\$ 165,066</u>	<u>\$ 599,684</u>	<u>\$ (83,161)</u>

The accompanying notes are an integral part of the financial statements.

Research Center Develop. TIFA	Knepp's DDA	Brownfield Redevelopment Authority	Columbus Avenue Mgmt. Board	Midland St. Mgmt. Board	P.O.W.E.R. EDC	Downtown Mgmt. Board	Wenonah Park Properties	Totals
\$ 47,989	\$ 102,561	\$ 750	\$ 6,118	\$ 23,876	\$ 1,704,231	\$ 113,047	\$ 2,038,418	\$ 6,736,990
-	5,102	-	-	40	233,985	45,853	-	285,800
-	-	-	-	-	-	-	-	952
-	-	-	-	-	13,779	-	817	36,039
-	-	-	-	-	3,978,751	-	-	3,978,751
-	-	-	-	-	24,350	14,303	-	44,670
-	-	-	-	-	-	-	493,168	493,168
-	-	-	-	-	-	5,237	-	5,237
-	-	-	-	-	-	-	4,030,580	4,030,580
-	-	-	-	-	-	-	2,140,000	2,140,000
-	-	-	-	-	-	7,051	27,900,337	29,176,480
-	-	-	-	-	-	-	954,277	954,277
<u>47,989</u>	<u>107,663</u>	<u>750</u>	<u>6,118</u>	<u>23,916</u>	<u>5,955,096</u>	<u>185,491</u>	<u>37,557,597</u>	<u>47,882,944</u>
\$ -	\$ -	\$ -	\$ 777	\$ 135	\$ 1,091	\$ 5,581	\$ 1,292,915	\$ 1,329,194
-	-	-	-	-	-	1,720	-	4,102
-	-	-	-	-	-	-	25,743	25,743
-	-	-	-	-	-	-	299,774	299,774
-	-	-	-	-	-	-	4,329	4,329
-	-	-	-	-	-	400	-	400
-	-	-	-	-	-	-	6,755,000	6,755,000
-	-	-	-	-	-	-	15,455,000	16,355,000
-	-	-	-	-	-	-	640,000	760,636
<u>-</u>	<u>-</u>	<u>-</u>	<u>777</u>	<u>135</u>	<u>1,091</u>	<u>7,701</u>	<u>24,472,761</u>	<u>25,534,178</u>
-	-	-	-	-	-	7,051	8,144,614	8,400,121
<u>47,989</u>	<u>107,663</u>	<u>750</u>	<u>5,341</u>	<u>23,781</u>	<u>5,954,005</u>	<u>170,739</u>	<u>4,940,222</u>	<u>13,948,645</u>
<u>\$ 47,989</u>	<u>\$ 107,663</u>	<u>\$ 750</u>	<u>\$ 5,341</u>	<u>\$ 23,781</u>	<u>\$ 5,954,005</u>	<u>\$ 177,790</u>	<u>\$ 13,084,836</u>	<u>\$ 22,348,766</u>

City of Bay City, Michigan
All Component Units
Combining Statement of Activities
For the Year Ended June 30, 2004

Functions / Programs	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Component units					
Downtown Development Authority	\$ 151,497	\$ 155,687	\$ -	\$ -	\$ 4,190
Midland Street TIFA	3,868	-	-	-	(3,868)
Kresge's DDA	-	-	-	-	-
Marquette District TIFA	89,596	-	-	-	(89,596)
Water Street DDA	151,299	-	-	-	(151,299)
Marina Development TIFA	44,497	-	-	-	(44,497)
Allen Healthcare DDA	7,246	-	-	-	(7,246)
Research Center Development TIFA	-	-	-	-	-
Knepp's DDA	-	-	-	-	-
Brownfield Redevelopment	-	-	-	-	-
Columbus Avenue Management Board	8,383	7,850	1,319	-	786
Midland Street Management Board	20,710	19,100	-	-	(1,610)
POWER EDC	480,584	-	24,350	-	(456,234)
Downtown Management Board	231,621	46,872	65,199	-	(119,550)
Wenonah Park Properties	1,277,734	-	-	2,681,986	1,404,252
Total component units	\$ 2,467,035	\$ 229,509	\$ 90,868	\$ 2,681,986	\$ 535,328

continued...

City of Bay City, Michigan
All Component Units
Combining Statement of Activities (Concluded)
For the Year Ended June 30, 2004

Functions/Programs	Downtown Development Authority	Midland St. TIFA	Kresge's DDA	Marquette District TIFA	Water Street DDA	Marina Develop. TIFA
Changes in net assets						
Net (expense) revenue	\$ 4,190	\$ (3,868)	\$ -	\$ (89,596)	\$ (151,299)	\$ (44,497)
General revenues:						
Property taxes	-	99,123	-	370,519	280,427	79,539
Unrestricted investment earnings	489	4,446	-	25,117	7,590	10,635
Miscellaneous revenue	-	-	-	125	-	-
Total general revenues, contributions and transfers	489	103,569	-	395,761	288,017	90,174
Change in net assets	4,679	99,701	-	306,165	136,718	45,677
Net assets, beginning of year	65,197	153,974	47,725	1,587,581	28,348	554,007
Net assets, end of year	\$ 69,876	\$ 253,675	\$ 47,725	\$ 1,893,746	\$ 165,066	\$ 599,684

The accompanying notes are an integral part of the financial statements.

Allen Health- care DDA	Research Center Develop. TIFA	Knepp's DDA	Brownfield Redevelopment Authority	Columbus Avenue Mgmt. Board	Midland St. Mgmt. Board	P.O.W.E.R. EDC	Downtown Mgmt. Board	Wenonah Park Properties	Totals
\$ (7,246)	\$ -	\$ -	\$ -	\$ 786	\$ (1,610)	\$ (456,234)	\$ (119,550)	\$ 1,404,252	\$ 535,328
14,503	17,395	15,655	-	-	-	-	97,274	-	974,435
122	-	-	-	-	1	40,616	375	286,234	375,625
-	-	-	500	-	20	-	-	-	645
14,625	17,395	15,655	500	-	21	40,616	97,649	286,234	1,350,705
7,379	17,395	15,655	500	786	(1,589)	(415,618)	(21,901)	1,690,486	1,886,033
(90,540)	30,594	92,008	250	4,555	25,370	6,369,623	199,691	11,394,350	20,462,733
<u>\$ (83,161)</u>	<u>\$ 47,989</u>	<u>\$ 107,663</u>	<u>\$ 750</u>	<u>\$ 5,341</u>	<u>\$ 23,781</u>	<u>\$ 5,954,005</u>	<u>\$ 177,790</u>	<u>\$ 13,084,836</u>	<u>\$ 22,348,766</u>

CITY OF BAY CITY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

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Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Bay City, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the City of Bay City:

A. Reporting Entity

The City of Bay City is a municipal corporation governed by an elected mayor and nine-member commission and administered by an appointed City Manager. As required by generally accepted accounting principles, these financial statements present the City and its component units-entities for which the City is considered to be financially accountable.

The discrete component unit columns in the government-wide financial statements represent a total of the City's discrete component units. They are reported in a separate column to emphasize that they are legally separate from the City.

The governing bodies of the Downtown Management Board (DMB), Midland Street Management Board, Columbus Avenue Management Board, P.O.W.E.R. Fund (Economic Development Corporation of the City of Bay City), Brownfield Redevelopment Authority, Wenonah Park Properties, all the Tax Increment Financing Authorities (TIFA's), and Downtown Development Authorities (DDA's), are all appointed by the City Commission or City Manager. These component units provide economic development and financing services to specific geographic areas within the City. These entities are fiscally dependent on the City because the City Commission is responsible for approving any debt issuances and the annual operating budgets of all component units except for Wenonah Park Properties and the Downtown Management Board. All discrete component units use governmental fund type accounting. However, full accrual accounting is used for financial statement presentation.

Complete financial statements for the DMB may be obtained at their administrative offices located at Commerce 1, 901 Saginaw Street, Bay City, MI 48708, and complete financial statements for Wenonah Park Properties may be obtained at City Hall located at 301 Washington Ave., Bay City, MI 48708. Separate financial statements for the Midland Street Management Board, Columbus Avenue Management Board, P.O.W.E.R. Fund (Economic Development Corporation of the City of Bay City), Brownfield Redevelopment Authority, TIFA's and DDA's are not prepared.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City Manager is responsible for appointing members to the governing board of the Bay City Housing Commission, but the City's accountability for the organization does not extend beyond making the appointments. Accordingly, this related organization is not included in these financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its discrete component units. For the most part, the effect of interfund activity has been eliminated from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund is used to account for the use of motor fuel taxes and trunkline maintenance funds, which are earmarked by state statute for major street and highway purposes.

The Rehabilitation Fund is used to account for revenues and expenditures related to providing financing to low and moderate income individuals to assist with home improvements within specific neighborhoods of the City.

The City reports the following major proprietary funds:

The Electric Fund is used to account for all activities relative to providing electric utility services to customers within Bay City and the surrounding townships.

The Water Fund is used to account for all activities relative to the maintenance and operation of the Water Distribution System and Water Treatment Plant.

The Sewer Fund is used to account for all activities relative to the maintenance and operation of the City's sanitary and combination sewers, the Wastewater Treatment Plant, and stormwater system.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Additionally, the City reports the following fund types:

Internal Service Funds account for fleet; equipment purchases and maintenance; benefits; information systems; as well as self-insurance and risk management services provided to other departments of the City on a cost reimbursement basis.

The Pension Trust Funds account for the activities of the Police and Fire Employees' Retirement System, which accumulates resources for pension benefit payments to qualified police and fire members. In addition, the City has two separate Health Care Investment Funds. The first fund accounts for non-public safety retirees and the second fund accounts for Police & Fire Retirees. The purpose of these funds is to accumulate and invest funds to provide for the funding of health care benefits to retired employees of the City and their beneficiaries.

The Agency Funds account for assets held for other governments in an agency capacity, including tax collections and other project funds.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise functions and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The City allocates indirect expenses primarily comprised of central governmental services to operating functions and programs benefiting from those services. Central services include City management, centralized budgetary formulation and oversight, accounting, financial reporting, payroll, procurement contracting and oversight, investing and cash management, personnel services, and other central administrative services. Allocations are charged to programs based on use of central services determined by various allocating methodologies. These charges are separately reported in the statement of activities. As a matter of policy, certain functions that use significant central services are not charged for the use of these services. These functions or programs include police, fire, and certain divisions within public services and parks.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary Funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds relates to charges to customers for sales and services. The Water and Sewer Funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to connect new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Fund Equity

Bank Deposits and Investments – The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

The Pension Trust Fund is authorized by the State's Pension Investment Act, as amended, to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

Investments are reported at fair value. Investment fair values are predominantly determined using quoted market prices.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

During the course of operations numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the governmental funds balance sheet.

Property Taxes – Property taxes are levied each July 1 and December 1 on the assessed valuation of property, as equalized by the State, as of the preceding December 31, the lien date. The levies are considered past due on September 30 and February 14, respectively, at which time applicable penalties and interest are assessed. The City bills and collects its own property taxes and also taxes for the various local governmental units. Collection and remittance for other units are accounted for in the Current Tax Collections Agency Fund. City property tax revenues are recognized when levied to the extent that they result in current receivables.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - The revenue bonds of the Enterprise Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land Improvements	50
Machinery and Equipment	5 - 20
Vehicles	3 - 10

The estimated useful lives of infrastructure assets are as follows:

	<u>YEARS</u>
Site Improvements, Streets, Sidewalk, Curbs	20
Bridges	50

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay and sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

City employees earn vacation leave at rates ranging between 12 and 28 days per year depending on their union membership and length of service. All outstanding vacation is payable upon resignation, retirement, or death. Sick pay is accumulated by employees at the rate of one day per month of employment. One additional day is earned if an employee does not use any sick leave days within a three-month period. Outstanding sick pay is payable only upon qualified retirement. The amount paid is one-half of the accumulated sick days ranging from 0 to a maximum of 200 days dependent upon the union contract under which the employee is covered. Employees with over 25 years of service (with the maximum 200 days of sick leave) receive 20 additional days of sick leave pay for each year of service in excess of 25 years but cannot exceed 100 additional days.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental fund types.

Individual amendments for the year were not material in relation to the original appropriations. Supplemental appropriations were made during the year. Unexpended appropriations lapse at year-end.

Budget appropriations are prepared by the City Manager and authorized by the City Commission on a departmental basis in accordance with sections of the City Charter. Intradepartment budget transfers within the General Fund and budget transfers within all other funds can be approved by the City Manager. All budget amendments and transfers in excess of \$4,500 within a General Fund Department and at the total fund level for all other funds must be approved by the City Commission. Therefore, legal budgetary control is exercised at the activity level for the General Fund and the total fund level for all other funds. The policy limits the aggregate amount of transfers to \$4,500 per fiscal year within a General Fund Department and at the total fund level for all other funds without Commission approval.

Encumbrances – Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Bay City because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

Note 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY-CONTINUED

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

	Amended <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Transfers Out	\$ 733,071	\$ 846,214	\$ (113,143)
Special Revenue Funds:			
Rehabilitation Fund	-	802,340	(802,340)
Operating Transfers Out	123,606	404,693	(281,087)
Local Street Fund	1,067,652	1,077,430	(9,778)
Community Policing Fund	138,507	167,703	(29,196)
Community Development Block Grant	860,454	1,288,576	(428,122)

Fund Deficits - The City has accumulated a fund deficit in the following component unit:

Allen Healthcare DDA component unit in the amount of \$83,161. The development plan of this component unit states that the amount of tax increment revenues collected on an annual basis will be applied against its debt until it has been paid off. It is estimated that this will occur in fiscal year ending June 30, 2012.

Note 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks and credit unions that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Note 3 - DEPOSITS AND INVESTMENTS – CONTINUED

The breakdown between deposits and investments for the City is as follows:

Statement of Net Assets:

	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units:</u>
Cash and cash equivalents	\$ 11,823,686	\$ 23,265,796	\$ 2,601,381	\$ 37,690,863	\$ 6,736,990
Investments	-	-	46,038,837	46,038,837	-
Restricted Assets	<u>308,045</u>	<u>1,070,416</u>	<u>-</u>	<u>1,378,461</u>	<u>4,030,580</u>
Total	<u>\$ 12,131,731</u>	<u>\$ 24,336,212</u>	<u>\$ 48,640,218</u>	<u>\$ 85,108,161</u>	<u>\$ 10,767,570</u>

	<u>Footnote</u>	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
Deposits		\$ 6,938,794	\$ 8,659,359	\$ 15,598,153
Investments		<u>78,169,367</u>	<u>2,108,211</u>	<u>80,277,578</u>
Total		<u>\$ 85,108,161</u>	<u>\$ 10,767,570</u>	<u>\$ 95,875,731</u>

Cash and Interest Bearing Deposits – At June 30, 2004, the carrying value of deposits owned by the City was \$6,938,794 and component units was \$8,767,701. The bank balance was \$11,490,506. Approximately \$600,000 of the City's bank balance and \$50,890 of the component unit bank balance was covered by federal depository insurance. The remaining balance of \$10,839,616 was unsecured and uncollateralized.

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, or securities held by the City or its agent in the City's name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; and

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

Note 3 - DEPOSITS AND INVESTMENTS – CONTINUED

At year end, the City's investment balances were categorized as follows:

	Category <u>3</u>	<u>Uncategorized</u>	<u>Fair Value</u>
Primary Government:			
Commercial Paper	\$ -	\$ -	\$ -
U.S. Government	23,000,000	-	23,000,000
Certificate of Deposits	9,130,530	-	9,130,530
Van Guard Mutual Funds	-	892,311	892,311
Mutual Funds	-	21,584,198	21,584,198
Government Securities	3,306,482	-	3,306,482
Corporate Bonds	3,054,538	-	3,054,538
Common Stock	17,201,308	-	17,201,308
Total Investments	<u>55,692,858</u>	<u>22,476,509</u>	<u>78,169,367</u>
Component Unit	<u>1,999,869</u>	<u>108,342</u>	<u>2,108,211</u>
Total Investments	<u>\$ 57,692,727</u>	<u>\$ 22,584,851</u>	<u>\$ 80,277,578</u>

The mutual funds are not subject to categorization because they are not evidenced by securities that exist in physical or book entry form. The mutual funds are registered with the SEC.

Note 4 – ACCOUNTS RECEIVABLE AND ALLOWANCES FOR UNCOLLECTIBLES

Certain accounts and taxes receivable have been reported net of the allowance for uncollectible accounts. This allowance is based on management's analysis of historical trends. A schedule of accounts reported net of allowances for uncollectibles at June 30, 2004 is as follows:

	Accounts and Taxes <u>Receivable</u>	<u>Allowance for Uncollectibles</u>	<u>Net</u>
General Fund	\$ 517,500	\$ 116,766	\$ 400,733
Special Revenue Funds:			
Solid Waste Mgmt	297,018	11,228	285,790
Debt Service Fund	67,220	20,202	47,018
Enterprise Funds:			
Electric Fund	3,485,435	97,847	3,387,588
Water Fund	567,169	19,658	547,512
Sewer Fund	1,313,193	25,925	1,287,268

Note 4 – ACCOUNTS RECEIVABLE AND ALLOWANCES FOR UNCOLLECTIBLES-
CONTINUED

Utility operating sales are recognized on the basis of the cycle billings rendered monthly. Unbilled electrical, water and sewer accounts receivables are accrued at year-end.

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Notes receivable from homeowners expected to be collected over several years	\$ 6,842,397	\$ -
Special assessments	50,919	932
Grant and categorical aid payment received prior to meeting all eligibility requirements	<u>27,537</u>	<u>27,537</u>
Total	<u>\$ 6,920,853</u>	<u>\$ 28,469</u>

Note 5 - CAPITAL ASSETS

Capital asset activity of the City's governmental activities for the year ended June 30, 2004 was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2004</u>
Capital assets not being depreciated				
Land	\$ 18,552,112	\$ 139,492	\$ 6,360	\$ 18,685,244
Construction in progress	376,000	668,744	(172,820)	871,924
Other intangible assets	<u>203,180</u>	<u>-</u>	<u>172,820</u>	<u>376,000</u>
Subtotal	18,954,039	808,236	6,360	19,933,168
Capital assets being depreciated:				
Roads and sidewalks	118,512,966	542,734	-	119,055,699
Buildings and improvements	4,868,159	824,968	-	5,693,127
Vehicles	7,122,493	1,026,472	3,361,718	11,510,683
Office furnishings	39,293	-	97,188	136,481
Other tools and equipment	<u>2,202,940</u>	<u>240,034</u>	<u>472,106</u>	<u>2,915,080</u>
Subtotal	132,745,851	2,634,208	3,931,012	139,311,070
Accumulated depreciation:				
Roads and sidewalks	61,512,870	3,209,449	-	64,722,319
Buildings and improvements	2,920,694	146,016	-	3,066,710
Vehicles	3,555,289	793,609	1,490,389	5,839,287
Office furnishings	5,947	9,738	62,745	78,430
Other tools and equipment	<u>1,251,443</u>	<u>349,137</u>	<u>123,226</u>	<u>1,723,806</u>
Subtotal	<u>69,246,243</u>	<u>4,507,949</u>	<u>1,676,360</u>	<u>75,430,552</u>
Net capital assets being depreciated	<u>63,499,608</u>	<u>(1,873,741)</u>	<u>2,254,652</u>	<u>63,880,518</u>
Governmental activities capital assets, net	<u>\$ 82,453,647</u>	<u>\$ (1,065,505)</u>	<u>\$ 2,261,012</u>	<u>\$ 83,813,686</u>

Note 5 - CAPITAL ASSETS - CONTINUED

Capital asset activity of the City's business-type activities for the year ended June 30, 2004 was as follows:

<u>Business-type Activities</u>	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2004</u>
Capital assets not being depreciated:				
Land	\$ 373,063	\$ -	\$ -	\$ 373,063
Construction in progress	42,022,934	-	(42,022,934)	-
Other	-	-	95,421	95,421
Subtotal	42,395,997	-	(41,927,513)	468,484
Capital assets being depreciated:				
Utility plant and systems	218,630,685	5,642,624	40,577,921	264,851,231
Buildings and improvements	4,461,660	27,000	(109,249)	4,379,411
Vehicles	4,683,781	-	(4,683,781)	-
Equipment	53,921	-	(40,093)	13,828
Subtotal	227,830,047	5,669,624	35,744,798	269,244,470
Accumulated depreciation:				
Utility plant and systems	111,597,524	6,302,858	(901,971)	116,998,411
Buildings and improvements	1,389,989	114,944	-	1,504,933
Vehicles	2,347,977	-	(2,347,977)	-
Equipment	36,667	432	(36,667)	432
Subtotal	115,372,157	6,418,234	(3,286,615)	118,503,776
Net capital assets being depreciated	112,457,890	(748,610)	39,031,413	150,740,694
Business-type Activities capital assets, net	<u>\$ 154,853,887</u>	<u>\$ (748,610)</u>	<u>\$ (2,896,100)</u>	<u>\$ 151,209,178</u>

Note 5 - CAPITAL ASSETS - CONTINUED

Capital asset activity of the City's component units for the year ended June 30, 2004 was as follows:

<u>Component Units</u>	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Disposal and Adjustments</u>	<u>Balance June 30, 2004</u>
Capital assets not being depreciated:				
Land	\$ 2,140,000	\$ -	\$ -	\$ 2,140,000
Construction in progress	10,269,845	-	(10,269,845)	-
Subtotal	12,409,845	-	(10,269,845)	2,140,000
Capital assets being depreciated:				
Buildings	-	11,371,216	10,269,845	21,641,061
Infrastructure	1,711,909	2,282,308	-	3,994,217
Equipment	11,607	4,579,645	-	4,591,252
Subtotal	1,723,516	18,233,169	10,269,845	30,226,530
Accumulated depreciation:				
Buildings	-	36,068	-	36,068
Infrastructure	872,812	93,919	-	966,731
Equipment	2,725	44,526	-	47,251
Subtotal	875,537	174,513	-	1,050,050
Net capital assets being depreciated	847,979	18,058,656	10,269,845	29,176,480
Component Units				
capital assets, net	<u>\$ 13,257,824</u>	<u>\$ 18,058,656</u>	<u>\$ -</u>	<u>\$ 31,316,480</u>

Depreciation expense was charged to the programs of the primary government as follows:

Governmental activities:

General government	\$ 47,185
Public safety	277,203
Public works	3,126,299
Recreation and culture	197,778
Internal Service Fund depreciation is charged to the various function based on their usage of the asset	859,484
Total governmental activities	<u>\$ 4,507,949</u>

Business-type activities:

Electric	\$ 2,029,038
Water	1,249,622
Sewer	3,024,198
Other enterprise funds	115,376
Total business-type activities	<u>\$ 6,418,234</u>

Note 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>DUE TO:</u>	<u>DUE FROM:</u>								<u>Total</u>
	<u>General Fund</u>	<u>Major Streets</u>	<u>Rehabilitation Funds</u>	<u>Non Major Governmental</u>	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Non-Major Proprietary Funds</u>	<u>Internal Service Funds</u>	
General Fund	\$ -	\$ 9	\$ -	\$ 2,799	\$ 882,900	\$ 120,543	\$ 3,869	\$ 234,363	\$ 1,244,483
Major Streets	8,664	-	-	142,899	-	117,246	-	29,698	298,507
Non Major Governmental	213,701	-	96,677	-	-	-	-	53,843	364,221
Electric Fund	-	-	-	-	-	-	-	45,690	45,690
Sewer Fund	-	-	-	-	106,381	-	-	50,217	156,598
Water Fund	-	-	-	-	-	-	-	55,199	55,199
Non-Major Proprietary Funds	37,405	-	-	-	-	-	-	-	37,405
Internal Service Funds	<u>51,225</u>	<u>-</u>	<u>-</u>	<u>76,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,027</u>	<u>151,016</u>
Total	\$ 310,995	\$ 9	\$ 96,677	\$ 222,461	\$ 989,281	\$ 237,789	\$ 3,869	\$ 492,037	\$ 2,353,119

Individual fund receivable between component units and the primary government are as follows:

<u>DUE TO:</u>	<u>DUE FROM:</u>				<u>Total</u>
	<u>Non Major Governmental</u>	<u>Electric Fund</u>	<u>Healthcare</u>	<u>Wenonah Park Properties</u>	
General Fund	\$ -	\$ -	\$ -	\$ 25,743	\$ 25,743
DDA	5,296	-	187	-	5,483
Marquette TIFA	-	-	534	-	534
P.O.W.E.R. Fund	-	<u>24,350</u>	<u>-</u>	<u>-</u>	<u>24,350</u>
Total	\$ 5,296	\$ 24,350	\$ 721	\$ 5,743	\$ 56,110

Note 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS – CONTINUED

Interfund Transfers

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; or to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The composition of interfund transfers is as follows:

	<u>Transfers From</u>						
	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Rehabilitation Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Electric Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>Transfers to:</u>							
General Fund	\$ -	\$ -	\$ -	\$ 197,634	\$ -	\$ -	\$ 197,634
Rehabilitation Funds	-	-	-	442,507	-	-	442,507
Nonmajor governmental funds	711,432	351,967	404,693	273,574	-	15,425	1,757,091
Sewer Fund	-	-	-	-	106,381	-	106,381
Nonmajor enterprise funds	<u>134,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,782</u>
Total	<u>\$ 846,214</u>	<u>\$ 351,967</u>	<u>\$ 404,693</u>	<u>\$ 913,715</u>	<u>\$ 106,381</u>	<u>\$ 15,425</u>	<u>\$ 2,638,395</u>

Note 7 – CAPITAL LEASES

The City of Bay City has entered into three separate lease agreements as lessee of two copiers with Xerox, and a mail-stuffing machine with Pitney Bowes. The remaining balances are \$22,951 and \$23,156 for the copiers and \$27,305 for the mail stuffing machine. Annual lease payments required under the capital leases are as follows:

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Information Systems</u>
<u>End</u>		
2005	\$ 19,195	\$ 7,620
2006	19,194	7,620
2007	7,718	7,620
2008	<u>-</u>	<u>4,445</u>
Total minimum payments due	46,107	27,305
Less interest	<u>-</u>	<u>-</u>
Present value of net minimum lease	<u>\$ 46,107</u>	<u>\$ 27,305</u>

Note 8 – LONG-TERM DEBT

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. City contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term debt obligation activity can be summarized as follows:

	Balance <u>7/01/03</u>	Additions <u>(Reductions)</u>	Balance <u>6/30/04</u>	Due-Within <u>One-Year</u>
4.35% to 4.75% 1993 G.O. Wastewater Disposal System Refunding Bonds, principal due in annual installments through 11/1/03, interest payable semi- annually May 1 and November 1.	\$ 505,000	(\$ 505,000)	\$ -	\$ -
4.3% to 5.2% 1993 G.O. Sewage System Improvement Refunding Bonds, principal due in annual installments through 9/1/12, interest payable semi-annually September 1 and March 1.				
6.4% to 7.15% Street Improvement Capital Appreciation G.O. bonds dated 7/2/91, aggregate principal due in annual installments through 9/1/12, interest payable semi- annually September 1 and March 1.	4,255,000	(4,255,000)	-	-
	17,953,211	1,288,453 (1,250,000)	17,991,664	1,265,000
2.0% to 3.75% G.O. Sewage System Improvement Refunding Bonds, principal due in annual installments through 9/1/12, interest payable semi-annually March 1 and September 1.	-	4,040,000	4,040,000	425,000

Note 8 - LONG-TERM DEBT – CONTINUED

Governmental Activities - continued:

	Balance 7/01/03	Additions (Reductions)	Balance 6/30/04	Due Within One-Year
Capital Lease due in installments through 2006.	\$ 34,427	\$ (11,476)	\$ 22,951	\$ 11,476
Capital Lease due in installments through 2007.	-	30,875 (7,719)	23,156	7,719
Purchase Agreement due in installments, including interest, through 2013.				
Originated in Motor Equipment Revolving Internal Service Fund.	437,819	(36,977)	400,842	38,116
Capital Lease due in installments through 2008. Originated in Information Systems Internal Service Fund.	34,925	(7,620)	27,305	7,620
Employee compensated absences.	<u>2,180,540</u>	<u>166,234</u>	<u>2,346,774</u>	<u>777,639</u>
Total Governmental Activities	<u>\$ 25,400,922</u>	<u>\$ (548,230)</u>	<u>\$ 24,852,692</u>	<u>\$ 2,532,570</u>

Business-Type Activities:

Sewer Fund

4.9% to 5.6% G.O. Sewage Disposal System Improvement Bonds, Series 1999, principal due in annual installments of \$45,000 to \$120,000 through 4/1/20, interest due semi-annually April 1 and October 1.	\$ 1,355,000	(50,000)	\$ 1,305,000	55,000
2.5% State Revolving Fund Loan issued March 29, 2001, principal due in annual installments beginning 4/01/04 through 4/01/23, interest due semi-annually April 1 through October 1.	38,438,296	3,420,393 (1,660,000)	40,198,689	1,705,000

Note 8 - LONG-TERM DEBT – CONTINUED

Business-Type Activities - continued:

Electric Fund

	Balance <u>7/01/03</u>	Additions <u>(Reductions)</u>	Balance <u>6/30/04</u>	Due Within <u>One-Year</u>
5.0% to 5.5% Electric Utility System Revenue Refunding Bonds, 1997 Series, principal due in annual installments of \$925,000 to \$1,585,000 through 1/1/12, interest due semi- annually January 1 and July 1. Payment net of amortization of \$159,019.	\$11,184,741	\$ (865,981)	\$ 10,318,760	\$1,085,000

Other

Employee Compensated Absences	<u>1,028,053</u>	<u>(30,566)</u>	<u>997,487</u>	<u>287,801</u>
Total	<u>\$52,006,090</u>	<u>\$ 813,846</u>	<u>\$ 52,819,936</u>	<u>\$3,132,801</u>

The aggregate debt service requirements to pay principal and interest on the various bonds and loans outstanding with interest of \$13,985,421 and a discount of \$226,240 in the business-type activities, interest of \$616,064 and capital appreciation of \$16,194,803 in the governmental activities bonded debt, and interest of \$76,410 in a governmental activities other debt are as follows:

Note 8 - LONG-TERM DEBT – CONTINUED

	Governmental		Business-
	Activities		Type
<u>Fiscal Year End</u>	<u>Bonded Debt</u>	<u>Other Debt</u>	<u>Activities</u>
2005	\$ 1,803,264	\$ 79,843	\$ 4,445,239
2006	2,064,383	79,842	4,443,828
2007	2,094,942	68,367	4,442,642
2008	2,124,820	57,039	4,450,972
2009	2,138,595	53,028	4,453,857
2010 – 2014	11,715,061	212,112	19,034,192
2015 – 2019	11,923,124	-	14,156,486
2020 – 2023	<u>4,978,343</u>	<u>-</u>	<u>10,380,653</u>
Totals	<u>\$ 38,842,531</u>	<u>\$ 550,231</u>	<u>\$ 65,807,870</u>

Component Units:

	<u>Balance</u> <u>7/01/03</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balance</u> <u>6/30/04</u>	<u>Due Within</u> <u>One-Year</u>
6.25% Downtown Development Authority bonds dated 1/15/98, principal due in annual installments of \$75,000 to \$129,000 through 5/1/12, interest payable semi-annually May 1 and November 1. Repayment from captured tax increment in the Water Street DDA.	\$ 990,000	\$ (90,000)	\$ 900,000	\$ 93,000
8.0% Allen HealthCare DDA note payable to developer, due in annual installments equal to the annual captured increment until the original note of \$150,331 plus interest is paid in full.	90,577	(7,257)	83,320	6,666
8.44% Midland Street TIFA note payable to developer, due in annual installments of \$15,000 through 6/2010 including interest. Repayment to be made from captured tax increment.	76,929	(76,929)	-	-
4.0% Wenonah Park Properties note payable to P.O.W.E.R. EDC Component Unit, interest payable monthly beginning 6 months after "Certificate of Occupancy" is issued for the Hotel/Conference Center, due on 2/20/11.	2,000,000	-	2,000,000	-

Note 8 - LONG-TERM DEBT – CONTINUED

Business-Type Activities - continued:

Component Units: - continued

	<u>Balance 7/01/03</u>	<u>Additions (Reductions)</u>	<u>Balance 6/30/04</u>	<u>Due Within One-Year</u>
4.0% Wenonah Park Properties note payable to P.O.W.E.R. EDC Component Unit, interest payable monthly beginning 6 months after "Certificate of Occupancy" is issued for the Hotel/Conference Center, due 180 months after issuance of Certificate of Occupancy".	2,000,000	-	2,000,000	-
7.5% to 7.875% Wenonah Park Properties Revenue Bonds 2002 Series, principal due annually through 2033. Interest due semi-annually.	15,455,000	-	15,455,000	-
Variable Rate Wenonah Park Properties HUD Section 108 Note payable, principal due annually interest due quarterly.	2,500,000	-	2,500,000	-
4.0% Wenonah Park Properties note payable to Great Lakes Center Foundation. Maturity date February 2016.	640,000	-	640,000	-
0.0% Michigan Urban Land Assembly Promissory Note, principal payments beginning September 1, 2006 through September 1, 2011.	-	255,000	255,000	-

Note 8 - LONG-TERM DEBT – CONTINUED

Business-Type Activities - continued:

Component Units: - continued

	<u>Balance 7/01/03</u>	<u>Additions (Reductions)</u>	<u>Balance 6/30/04</u>	<u>Due Within One-Year</u>
Downtown Development Authority note payable to Downtown Management Board Component Unit in annual installments due 6/30/05.	56,000	(18,684)	37,316	18,667
Downtown Management Board Capital Lease due in installments through 2004.	<u>1,666</u>	<u>(1,666)</u>	<u>-</u>	<u>-</u>
Total General Long-Term Debt- Component Units	<u>\$ 23,810,172</u>	<u>\$ 60,464</u>	<u>\$ 23,870,636</u>	<u>\$ 118,333</u>

The aggregate debt service requirement for the component units to pay principal and interest on the various outstanding loans with interest included of \$29,391,885 are as follows:

<u>Fiscal Year Ending</u>	
2005	\$ 1,463,028
2006	1,582,205
2007	1,606,388
2008	1,606,361
2009	1,660,975
2010 and thereafter	<u>45,343,568</u>
	<u>\$ 53,262,525</u>

Prior Year Defeasance of Debt: In prior years, the City defeased the outstanding debts listed below by placing the proceeds of new debt in irrevocable trusts to provide for the future debt service payments on the callable portion of the old debt.

Note 8 - LONG-TERM DEBT – CONTINUED

Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements.

	As of June 30, 2004, the amount of debt <u>considered defeased</u>
Special Revenue Funds:	
Section-108 H.U.D. Loan Payable	\$ 135,000
Debt Service Fund:	
General Obligation Sewer System Improvement Bonds, 1993	3,900,000
Enterprise Funds:	
Electric Utility System Revenue Bonds, 1993	<u>1,000,000</u>
Total Defeased Debt	<u>\$ 5,035,000</u>

Any additional bonds indicated as refunding bonds have no outstanding debt related to the original issue.

Note 9 - RISK MANAGEMENT

The City is exposed to various risks of loss related claims, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-funded for Liability and Property Insurance, Health and Dental Insurance, and Workers' Compensation.

Liability and Property Insurance

The self-insurance program for liability and property is accounted for in the Liability/Property Self-Insurance Fund (an internal service fund). Presently, the City insures the first \$2,000 on property and the first \$250,000 for all other claims. The City maintains stop-loss coverage on the excess (up to \$15,000,000) with an external risk management pool. There were no reductions of insurance coverage from the prior year. All funds of the City participate in this program and make payments based on estimates of the amounts needed to pay prior year and current year claims and to establish a reserve for losses relating to catastrophes.

Losses, damages, and administrative expenses are all paid from this fund. The claim liability for known claims and incurred but not reported claims is estimated by management and the insurance administrators. Settled claims have not exceeded insurance coverage in any of the past three years.

Note 9 - RISK MANAGEMENT – CONTINUED

The changes in the claims liability for the years ended June 30, 2003 and 2004 are as follows:

Fiscal Year	Beginning of Period Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Period Liability
2003	\$ 219,991	\$ 867,055	\$ (878,349)	\$ 208,697
2004	208,697	992,703	(873,162)	328,238

Health and Dental Insurance

The self-insurance program for health and dental insurance is accounted for as part of the Benefits Program (an internal service fund). An independent administrator (Blue Cross) is hired to process the daily claims. The City is responsible for individual claims up to \$125,000 and Blue Cross is responsible for paying claims above this amount up to \$5,000,000. There were no reductions of insurance coverage from the prior year. The City is also responsible for paying administrative charges. The revenues for this Fund's operation are reimbursements from various funds and employee payroll withholdings. The liability at the end of the year is based on claims already incurred and reported as provided by Blue Cross and on estimates of incurred but not reported claims as estimated by management. Settled claims have not exceeded insurance coverage in any of the past three years.

The changes in the claims liability for the years ended June 30, 2003 and 2004 are as follows:

Fiscal Year	Beginning of Period Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Period Liability
2003	\$ 700,000	\$ 5,468,419	\$ (5,713,186)	\$ 455,233
2004	455,233	6,521,426	(6,503,135)	473,524

Workers' Compensation

The self-insurance program for workers' compensation is accounted for within the Benefits Program (an internal service fund). An independent administrator is hired to process the daily claims and to perform auditing and management duties. Presently, the City is responsible for individual claims up to \$350,000 for each occurrence. The City maintains stop-loss coverage on the excess (up to \$1,000,000) through a reinsurance policy. All funds of the City participate in this program and make payments based on estimates of the amounts needed to pay prior year and current year claims and to establish a reserve for losses relating to catastrophes. The liability at the end of the year is based on claims already incurred and reported as provided by the administrator and on estimates of incurred but not reported claims as estimated by management. Settled claims have not exceeded insurance coverage in any of the past three years.

Note 9 - RISK MANAGEMENT – CONTINUED

The changes in the claims liability for the years ended June 30, 2003 and 2004 are as follows:

Fiscal Year	Beginning of Period Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Period Liability
2003	\$ 547,326	\$ 597,318	\$ (422,782)	\$ 721,862
2004	721,862	198,953	(404,791)	516,024

Note 10 - DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS

Employees' Pension Plans

Defined Benefit Pension Plan

Plan Description - The City's defined benefit pension plan provides retirement and disability benefits, and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy - The City is required to contribute at an actuarially determined rate; the current rate contributed on annual covered payroll ranges from 0.0% to 42.11% depending on employee group. Employees are required to contribute 0.0% to 3.0%. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

Note 10 - DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS -
CONTINUED

Annual Pension Cost - For the year ended June 30 2004, the City's annual pension cost of \$1,545,879 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2001 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increase of 4.5% to 8.66% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation, was 30 years.

Fiscal Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/02	\$ 1,301,821	100.0%	-
6/30/03	1,327,293	100.0%	-
6/30/04	1,545,879	100.0%	-

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/01	\$ 38,862,434	\$ 55,957,875	\$ 17,095,441	69%	\$ 6,964,787	245%
12/31/02	37,298,143	57,785,584	20,487,441	65%	6,572,511	311%
12/31/03	37,294,242	59,898,148	22,603,906	62%	6,600,610	342%

Note 10 - DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS -
CONTINUED

Police Officers and Firefighters

Description - The City has provided a single-employer defined benefit pension plan for all eligible police officers and firefighters, which assets are included in the Bay City Police and Fire Retirement System, administered by the City. The System operates under the authority of the City Charter. The City Commission has the authority to amend and establish benefit provisions.

The City issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the City of Bay City, 301 Washington Ave., Bay City, MI 48708.

All certified police officers and firefighters are eligible to participate in the System. All participants who retire at age 55 with 10 years of service or with 25-28 years of service regardless of age (dependent upon union contract) are entitled to a regular retirement benefit, payable monthly, of total service times 2.5% - 2.8% (dependent upon union contract) of the final average salary. The final average salary is determined as the highest 3 consecutive years of the last 10 years of average monthly pay. The plan also provides death and disability benefits.

Basis of Accounting - The financial statements of the Bay City Police and Fire Retirement System are prepared on the accrual basis of accounting. Plan member contributions are recognized in the period they are due. The City's contributions to the System are recognized when due and they have made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the System.

Valuation of Investments - Marketable securities are stated at aggregate fair value. Securities which are traded on a national securities exchange are valued at the last reported sales price on the last business day of the System's year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price. The difference between aggregate fair value and the cost of investments along with realized gains and losses on the sale of investments are reflected in the Statement of Changes in Plan Net Assets as part of investment income.

Funding Policy - All plan members are required to contribute 8% of their annual salary to the System. The City is required to contribute the remaining amounts necessary to fund the System, based upon actuarial valuations as required by State statute. The current combined rate is 7.83% of covered payroll. Contributions are established and may be amended by the City Commission.

Note 10 - DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS -
CONTINUED

Annual Pension Cost and Net Pension Obligation - The City's annual pension cost and net pension obligation to the System for the current year were as follows:

Net pension asset, beginning of year		\$ 57,352
Annual pension cost:		
Contributions made	\$ 469,453	
Annual required contribution	(457,310)	
Interest on the net pension asset	<u>4,301</u>	
Total annual pension cost	(453,009)	
Change in net pension asset		<u>16,444</u>
Net pension asset, end of year		<u>\$ 73,796</u>

The annual required contribution for the current year was determined as part of the annual actuarial valuation of the plan as of June 30, 2002, using the individual attained age normal cost actuarial cost method. The actuarial assumptions included (a) a 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 1.0% to 44.0% per year. Both (a) and (b) included an inflation component of 5%. The assumptions included cost-of-living adjustments ranging from 4.0% to 5.0% after 5, 10, and 15 years payable to certain eligible members. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2003, the date of the latest actuarial valuation, was 26 years for liabilities created by plan, assumption or method changes, 11 years for liabilities created by plan experience and 10 years for police, 26 years for fire, and 28 years for all other liabilities. The City Commission has the authority to amend and establish benefit provisions, as well as contribution rates.

Concentrations

As of June 30, 2004, there were no investments with a fair value that represents 5% or more of the System's net assets. However, amounts invested in three (3) separate mutual funds represent 14.11%, 14.63%, and 17.16% of the System's net assets, respectively at June 30, 2004.

Note 10 - DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS -
CONTINUED

Trend Information

Trend information gives an indication of the System's progress in accumulating sufficient assets to pay benefits when due. Selected three-year trend information is presented as follows:

<u>Fiscal</u> <u>Year</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Asset</u>
6/30/02	\$ 429,286	100%	\$ 20,653
6/30/03	454,456	100%	57,352
6/30/04	453,009	100%	73,796

Defined Contribution Pension Plan

The City of Bay City Employees Defined Contribution Pension Plan is a single employer defined contribution pension plan created by the City and administered by the ICMA Retirement Corporation. The City is responsible for establishing and amending all provisions of the Plan. All City employees with the exception of police officers and firefighters hired after September 1, 1997 are required to participate. A defined contribution pension plan provides pension benefits in return for services rendered, an individual account for each participant and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under the defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account. All returns earned on investments of these contributions are allocated to such participant's account.

The contribution requirements of the City are established and may be amended by the City Commission. Currently, there are two plans available to the employees. Plan A offers the employee the option of contributing 0.0% and requires a 5.0% contribution by the City. There is immediate vesting with Plan A. Plan B allows the employee to contribute 3.0% while the City contributes 8.5%. With Plan B, the employee is 50.0% vested after two years and 100.0% vested after four years. For the fiscal year ended June 30, 2004, the City's required and actual contributions amounted to \$533,694. Employees made contributions amounting to \$181,989.

Note 10 - DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS -
CONTINUED

As authorized by the City Commission, the City has elected to provide post-retirement healthcare benefits to certain retirees and their beneficiaries. Substantially all of the City's employees become eligible for post-retirement health care benefits if they reach normal retirement age and are eligible for retirement benefits from the City. Currently, 436 retirees are eligible to receive benefits. The City pays the full cost of coverage for these benefits. The cost of retiree health care benefits is recognized as an expense as claims are paid. Retirees are currently not required to contribute. The amount of those costs for the year ended June 30, 2004 was \$2,708,478.

Note 11 - PRIOR PERIOD ADJUSTMENTS

Major Street Fund: In fiscal year ended June 30, 2003, the receivable from the State of Michigan was overstated. The correction was made and as a result, the beginning fund balance was decreased by \$35,449.

Riverfront Redevelopment Fund: In fiscal year ended June 30, 2001 and 2002, receivables were recorded for reimbursement of expenditures in relation to a waterfront development grant. Based upon recent correspondence with the State, it does not appear likely that the original amount will be received. Therefore, the receivable was reduced and the beginning fund balance was decreased by \$113,763.

Water Fund: In the fiscal year ended June 30, 2003, a portion of the master meter project was expensed and should have been capitalized into the construction in progress account. The correction was made and as a result the beginning net assets were increased by \$94,485.

Capital Assets - Governmental Activities: In fiscal year ended June 30, 2003, a property purchase was omitted from the capital assets. A correction was made and as a result, the beginning balance of the land in the governmental capital assets was increased by \$177,253.

Note 12 - COMMITMENTS AND CONTINGENT LIABILITIES

Environmental

Various properties owned by the City are subject to environmental clean-up. The sites include property at the northwest corner of Water and Lafayette, underground fuel storage tanks at the DPW garage, the former Surath scrap yard, the former Bay Aggregates/Industrial Brownhoist property, Water Street Substation (formerly Consumers Energy), and the Middlegrounds Landfill. Various actions are in process for each property. The Water and Lafayette Street property, which is owned by the Electric Department, is currently being investigated with clean-up to begin in the near future.

Note 12 – COMMITMENTS AND CONTINGENT LIABILITIES – CONTINUED

Environmental - continued

Total costs for such clean-up are unknown at this time. The City has received a \$200,000 Brownfield PILOT Assessment Grant from the EPA to investigate and characterize contaminants on the former Bay Aggregates/Industrial Brownhoist property.

The DPW garage site is also being studied by consultants with clean-up to begin in the near future. The cost of clean-up is eligible for state funding of up to a maximum of \$2,000,000 with the City's exposure being \$10,000.

The former Surath scrap yard has been substantially cleaned-up with the City incurring approximately \$600,000 in costs. It is anticipated that a portion of these costs will be recovered from the sale proceeds.

The City has spent approximately \$1,790,000 to date to improve the Middlegrounds Landfill. It is anticipated that significant additional costs will be incurred in the clean-up. Such costs will not be known until the conclusion of the consultant's studies and evaluation. The City believes that it has identified a number of specific parties which will share the majority of the ultimate costs and the City will not be liable for any clean-up costs above those amounts already expended. Additionally, the City has received funding from the Michigan Department of Environmental Quality Municipal Landfill Cost Sharing Grant in the amount of \$732,570 and is eligible for additional funding in the future, which is dedicated to reimburse General Motors Corporation, a principal responsible party, who is coordinating remedial clean-up.

Commitments

The Electric Department, along with other Michigan municipal utilities, is a member of the Michigan Public Power Agency (MPPA). The agency was formed to acquire interests in certain electric generating plants and related transmission lines. MPPA has acquired a 4.8% undivided interest in the Consumers Power Campbell 3 plant and 18.61% undivided interest in the Detroit Edison Company Belle River project. The Electric Department has entered into power supply and project support contracts with MPPA. Under the agreement, the Electric Department will purchase 13.18% of the energy generated by the Campbell 3 plant and 3.71% of the energy generated by the Belle River plant.

Note 12 – COMMITMENTS AND CONTINGENT LIABILITIES – CONTINUED

Commitments - continued

Under the terms of the contract, the Electric Department must make annual payments to cover their share of annual debt service requirements and fixed operation costs of the Campbell 3 and Belle River projects. The estimated annual debt payments with interest included of \$5,274,791 are as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Cambell</u> <u>Project</u>	<u>Belle River</u> <u>Project</u>
2005	\$ 428,175	\$ 1,124,830
2006	427,955	1,125,048
2007	428,732	1,129,378
2008	429,081	1,129,399
2009	428,967	1,129,196
2010-2019	-	11,667,628
	<u>\$ 2,142,910</u>	<u>\$ 17,305,479</u>

Construction Commitment

The City has entered into a construction commitment for the renovation of the City's Wastewater Treatment Plant which began in the year 2000, with the majority of construction nearing completion. The original contract amount was \$35,533,000. In addition, the contractor submitted change orders totaling \$1,003,221.00. As of fiscal year ended June 30, 2004, the outstanding commitment stood at \$999,915.34 of which the total amount has been accrued. Subsequent to the end of the fiscal year, an additional change order was approved in the amount of \$157,603 to complete the project.

Wenonah Park Properties (WPP) Component Unit entered into an agreement with the construction project's designer/builder which obligates the designer/builder to construct the hotel/conference center for a guaranteed maximum price, of \$24,431,175. In addition to the guaranteed maximum price, the designer/builder submitted change order requests totaling approximately \$600,000, which were not approved by WPP as of June 30, 2004 and are subject to alternate dispute resolution. Likewise, WPP has issued claims against Turner Construction Company in an approximate amount of \$400,000 for deficiencies in construction and missing furniture, fixtures and equipment items, operating supplies, and materials.

The agreement also obligates the designer/builder to be substantially completed with the construction project within 21 months of the date of issuance of the revenue bonds, or approximately May 2004. As of June 30, 2004 the designer/builder submitted payment requests equal to \$24,355,036 (including retention of \$112,500), indicating that the construction project was approximately 95% complete at the end of the year.

Note 12 – COMMITMENTS AND CONTINGENT LIABILITIES – CONTINUED

Construction Commitment - continued

In 2000, the State of Michigan modified the multiplier for personal property taxes. The City, along with other municipalities in the State, disagreed with the modified multiplier for utilities and as such appealed to its Board of Review requesting authorization to reinstate the former multipliers. The Board of Review agreed with the City's request and reinstituted the former multipliers. A group of municipalities filed suit against the State of Michigan that was unsuccessful. This suit has now gone to appeal. To date, the City still uses the former multiplier. Should the appeal also be unsuccessful, the City would have to write-off \$290,293 in receivables.

Subsequent Event

On October 4, 2004, the City issued bonds in the amount of \$2,755,000. The bonds were issued for the purpose of financing a portion of the cost of certain public improvements within the Water Street Downtown Development Area and for refunding the Authority's bonds, dated January 15, 1998.

On October 18, 2004, the City issued bonds in the amount of \$6,000,000 for the purpose of acquiring and constructing certain capital improvements relating to the City's sanitary sewer system.

Other

The City is engaged in other routine litigation incidental to the conduct of its municipal and utilities affairs. In the opinion of legal counsel, no legal proceedings are pending against the City, not covered by insurance, which would inhibit the City's ability to perform its operations or materially affect its financial condition.

**CITY OF BAY CITY
REQUIRED SUPPLEMENTARY INFORMATION**

POLICE AND FIRE PENSION TRUST FUND

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liab. (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/94	33,216,645	36,187,658	2,971,013	91.8%	4,712,229	63.0%
6/30/95	34,465,751	36,936,108	2,470,357	93.3%	4,738,025	52.1%
6/30/96	38,291,651	38,489,257	197,606	99.5%	4,955,119	4.0%
6/30/97	40,890,619	41,791,038	900,419	97.8%	5,354,387	16.8%
6/30/98	44,936,961	44,376,073	(560,888)	101.3%	5,859,722	(9.6%)
6/30/99	48,210,388	44,601,010	(3,609,378)	108.1%	6,150,107	(58.7%)
6/30/00	49,920,655	39,255,977	(10,664,678)	127.2%	5,922,589	(180.1%)
6/30/01	48,468,116	38,017,452	(10,450,664)	127.5%	6,105,158	(171.2%)
6/30/02	46,080,307	36,417,979	(9,662,328)	126.5%	5,694,688	(1.697%)
6/30/03	42,243,440	42,568,692	325,252	99.2%	6,035,235	5.4%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percent Contributed
6/30/94	664,338	88.25%
6/30/95	666,316	106.87%
6/30/96	806,993	87.11%
6/30/97	743,751	98.53%
6/30/98	575,958	114.06%
6/30/99	605,319	110.21%
6/30/00	523,457	123.23%
6/30/01	430,767	73.43%
6/30/02	456,005	99.87%
6/30/03	457,310	107.40%
6/30/04	457,310	102.65%

City of Bay City, Michigan
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2004

	Special Revenue Funds						
	Local Streets	Fire Awareness	Community Policing	Parking Enforcement	Solid Waste Management	Community Development Block Grant	Public Improvement
Assets							
Cash and cash equivalents	\$ 191,802	\$ -	\$ -	\$ 6,646	\$ 40,144	\$ 174,211	\$ 221,564
Receivables (net of allowance for uncollectibles)							
Accounts	1,954	-	-	-	278,499	413	-
Delinquent taxes	-	-	-	-	-	-	-
Special assessments	-	-	-	-	7,291	-	-
Accrued interest	1,553	-	-	-	-	-	3,516
Due from other funds	11,278	67,102	29,727	1,261	19,085	101,299	213,312
Due from other governments	118,536	-	-	-	-	30,508	-
Total Assets	<u>\$ 325,123</u>	<u>\$ 67,102</u>	<u>\$ 29,727</u>	<u>\$ 7,907</u>	<u>\$ 345,019</u>	<u>\$ 306,431</u>	<u>\$ 438,392</u>
Liabilities and fund balances							
Liabilities							
Accounts payable	\$ 2,205	\$ 541	\$ 1,444	\$ -	\$ 13,101	\$ 17,750	\$ -
Accrued liabilities	20,772	8,293	8,482	2,611	44,290	187,222	-
Due to other funds	142,899	58,268	19,801	-	76,763	-	-
Due to component units	-	-	-	5,296	-	-	-
Due to other governmental units	-	-	-	-	-	101,299	-
Deposits payable	-	-	-	-	-	160	-
Deferred revenues	-	-	-	-	-	-	-
Total liabilities	<u>165,876</u>	<u>67,102</u>	<u>29,727</u>	<u>7,907</u>	<u>134,154</u>	<u>306,431</u>	<u>-</u>
Fund balances							
Unreserved:							
Undesignated	159,247	-	-	-	210,865	-	438,392
Total fund balances	<u>159,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,865</u>	<u>-</u>	<u>438,392</u>
Total liabilities and fund balances	<u>\$ 325,123</u>	<u>\$ 67,102</u>	<u>\$ 29,727</u>	<u>\$ 7,907</u>	<u>\$ 345,019</u>	<u>\$ 306,431</u>	<u>\$ 438,392</u>

Building Inspection	Neighborhood Opportunity	Total	Debt Service Fund	Capital Projects Funds			Total	Total
			Bond Sinking Fund	Riverfront Redevelopment	Economic Opportunities			
\$ -	\$ 368,534	\$ 1,002,901	\$ 88,384	\$ 848,747	\$ 1,231,853	\$ 2,080,600	\$ 3,171,885	
26,125	-	306,991	8,493	12,250	-	12,250	327,734	
-	-	-	38,525	-	-	-	38,525	
28,226	-	35,517	-	-	-	-	35,517	
-	914	5,983	705	6,861	9,959	16,820	23,508	
134,469	-	577,533	-	-	-	-	577,533	
-	-	149,044	-	189,506	-	189,506	338,550	
<u>\$ 188,820</u>	<u>\$ 369,448</u>	<u>\$ 2,077,969</u>	<u>\$ 136,107</u>	<u>\$ 1,057,364</u>	<u>\$ 1,241,812</u>	<u>\$ 2,299,176</u>	<u>\$ 4,513,252</u>	
\$ 7,764	\$ -	\$ 42,805	\$ 8,539	\$ 143,516	\$ 108	\$ 143,624	\$ 194,968	
34,913	-	306,583	-	-	-	-	306,583	
138,042	-	435,773	-	-	-	-	435,773	
-	-	5,296	-	-	-	-	5,296	
-	-	101,299	12,400	-	-	-	113,699	
-	35,521	35,681	-	-	-	-	35,681	
8,101	-	8,101	-	-	-	-	8,101	
<u>188,820</u>	<u>35,521</u>	<u>935,538</u>	<u>20,939</u>	<u>143,516</u>	<u>108</u>	<u>143,624</u>	<u>1,100,101</u>	
-	333,927	1,142,431	115,168	913,848	1,241,704	2,155,552	3,413,151	
-	333,927	1,142,431	115,168	913,848	1,241,704	2,155,552	3,413,151	
<u>\$ 188,820</u>	<u>\$ 369,448</u>	<u>\$ 2,077,969</u>	<u>\$ 136,107</u>	<u>\$ 1,057,364</u>	<u>\$ 1,241,812</u>	<u>\$ 2,299,176</u>	<u>\$ 4,513,252</u>	

City of Bay City, Michigan
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2004

	Special Revenue Funds					
	Local Streets	Fire Awareness	Community Policing	Parking Enforcement	Solid Waste Management	Development Block Grant
Revenues						
Taxes:						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental:						
Federal	-	-	-	-	-	1,614,401
State	818,147	-	-	-	-	-
Local	-	-	-	24,754	-	-
Charges for services:						
Sales	-	-	-	-	1,874,185	-
Fines and forfeitures	-	-	-	25,280	-	-
Miscellaneous:						
Interest earnings	558	-	-	-	107	517
Reimbursements	126	-	-	-	-	-
Sale of property	-	-	-	-	-	-
Other	1,660	-	-	-	25,625	-
Total revenues	820,491	-	-	50,034	1,899,917	1,614,918
Expenditures						
Current:						
Public safety	-	192,320	155,973	50,034	-	-
Public works:						
Highways, streets and bridges	1,064,555	-	-	-	-	-
Physical environment	-	-	-	-	1,637,428	-
Economic development	-	-	-	-	-	931,967
Capital outlay	12,875	1,336	11,730	-	51,624	354,227
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	2,382
Total expenditures	1,077,430	193,656	167,703	50,034	1,689,052	1,288,576
Excess of revenues over (under) expenditures	(256,939)	(193,656)	(167,703)	-	210,865	326,342
Other financing sources (uses)						
Transfer in	351,967	193,656	167,703	-	-	404,693
Transfer out	-	-	-	-	(197,634)	(716,081)
Total other financing sources (uses)	351,967	193,656	167,703	-	(197,634)	(311,388)
Changes in fund balances	95,028	-	-	-	13,231	14,954
Fund balances - beginning of year, as restated	64,219	-	-	-	197,634	(14,954)
Fund balances - end of year	\$ 159,247	\$ -	\$ -	\$ -	\$ 210,865	\$ -

				Debt Service Fund	Capital Projects Funds			
Public Improvement	Building Inspection	Neighborhood Opportunity	Total	Bond Sinking Fund	Riverfront Redevelopment	Economic Opportunities	Total	Total
\$ -	\$ -	\$ -	\$ -	\$ 2,015,481	\$ -	\$ -	\$ -	\$ 2,015,481
-	382,419	-	382,419	-	-	-	-	382,419
-	-	-	1,614,401	-	-	-	-	1,614,401
-	-	-	818,147	-	-	-	-	818,147
-	-	-	24,754	-	-	-	-	24,754
-	-	-	1,874,185	-	-	-	-	1,874,185
-	-	-	25,280	-	-	-	-	25,280
7,713	10	2,445	11,350	12,533	15,795	21,201	36,996	60,879
-	31,224	-	31,350	-	-	-	-	31,350
-	-	1	1	-	-	-	-	1
-	18,973	62	46,320	-	34,173	15,206	49,379	95,699
7,713	432,626	2,508	4,828,207	2,028,014	49,968	36,407	86,375	6,942,596
-	800,846	-	1,199,173	-	-	-	-	1,199,173
-	-	-	1,064,555	-	-	-	-	1,064,555
-	-	-	1,637,428	-	-	-	-	1,637,428
-	-	83	932,050	-	261,547	34,028	295,575	1,227,625
35,359	-	137,314	604,465	-	143,080	10,781	153,861	758,326
-	-	-	-	2,110,000	-	-	-	2,110,000
-	-	-	2,382	155,891	-	-	-	158,273
35,359	800,846	137,397	5,440,053	2,265,891	404,627	44,809	449,436	8,155,380
(27,646)	(368,220)	(134,889)	(611,846)	(237,877)	(354,659)	(8,402)	(363,061)	(1,212,784)
-	368,220	255,427	1,741,666	15,425	-	-	-	1,757,091
-	-	-	(913,715)	-	-	-	-	(913,715)
-	368,220	255,427	827,951	15,425	-	-	-	843,376
(27,646)	-	120,538	216,105	(222,452)	(354,659)	(8,402)	(363,061)	(369,408)
466,038	-	213,389	926,326	337,620	1,268,507	1,250,106	2,518,613	3,782,559
\$ 438,392	\$ -	\$ 333,927	\$ 1,142,431	\$ 115,168	\$ 913,848	\$ 1,241,704	\$ 2,155,552	\$ 3,413,151

City of Bay City, Michigan
Local Streets Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental:				
State	\$ 691,712	\$ 691,712	\$ 818,147	\$ 126,435
Miscellaneous:				
Interest earnings	5,000	5,000	558	(4,442)
Reimbursements	-	-	126	126
Other	500	500	1,660	1,160
Total revenues	<u>697,212</u>	<u>697,212</u>	<u>820,491</u>	<u>123,279</u>
Expenditures				
Public works				
Highways, streets, and bridges	1,035,491	1,053,652	1,064,555	(10,903)
Capital outlay	14,000	14,000	12,875	1,125
Total expenditures	<u>1,049,491</u>	<u>1,067,652</u>	<u>1,077,430</u>	<u>(9,778)</u>
Excess of revenues over (under) expenditures	<u>(352,279)</u>	<u>(370,440)</u>	<u>(256,939)</u>	<u>113,501</u>
Other financing sources (uses)				
Operating transfer in	351,967	351,967	351,967	-
Changes in fund balances	(312)	(18,473)	95,028	113,501
Fund balances - beginning of year	<u>64,219</u>	<u>64,219</u>	<u>64,219</u>	<u>-</u>
Fund balances - end of year	<u>\$ 63,907</u>	<u>\$ 45,746</u>	<u>\$ 159,247</u>	<u>\$ 113,501</u>

City of Bay City, Michigan
Fire Awareness Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures				
Public safety	\$ 206,269	\$ 206,269	\$ 192,320	\$ 13,949
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>1,336</u>	<u>3,664</u>
Total expenditures	<u>211,269</u>	<u>211,269</u>	<u>193,656</u>	<u>17,613</u>
Excess of revenues over (under) expenditures	(211,269)	(211,269)	(193,656)	17,613
Other financing sources (uses)				
Operating transfer in	<u>211,269</u>	<u>211,269</u>	<u>193,656</u>	<u>(17,613)</u>
Changes in fund balances	-	-	-	-
Fund balances - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Bay City, Michigan
Community Policing Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures				
Public safety	\$ 126,507	\$ 126,507	\$ 155,973	\$ (29,466)
Capital outlay	<u>12,000</u>	<u>12,000</u>	<u>11,730</u>	<u>270</u>
Total expenditures	<u>138,507</u>	<u>138,507</u>	<u>167,703</u>	<u>(29,196)</u>
Excess of revenues over (under) expenditures	(138,507)	(138,507)	(167,703)	(29,196)
Other financing sources (uses)				
Operating transfer in	<u>138,507</u>	<u>138,507</u>	<u>167,703</u>	<u>29,196</u>
Changes in fund balances	-	-	-	-
Fund balances - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Bay City, Michigan
Parking Enforcement Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental:				
Local	\$ 30,050	\$ 30,050	\$ 24,754	\$ 5,296
Fines and forfeitures	<u>23,000</u>	<u>23,000</u>	<u>25,280</u>	<u>(2,280)</u>
Total revenues	<u>53,050</u>	<u>53,050</u>	<u>50,034</u>	<u>3,016</u>
Expenditures				
Public safety	<u>53,050</u>	<u>53,050</u>	<u>50,034</u>	<u>3,016</u>
Total expenditures	<u>53,050</u>	<u>53,050</u>	<u>50,034</u>	<u>3,016</u>
Changes in fund balances	-	-	-	-
Fund balances - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of Bay City, Michigan
Solid Waste Management Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Charges for services:				
Sales	\$ 1,817,379	\$ 1,817,379	\$ 1,874,185	\$ 56,806
Miscellaneous:				
Interest earnings	-	-	107	107
Other	16,550	16,550	25,625	9,075
Total revenues	<u>1,833,929</u>	<u>1,833,929</u>	<u>1,899,917</u>	<u>65,988</u>
Expenditures				
Physical environment	1,638,174	1,638,174	1,637,428	746
Capital outlay	40,000	40,000	51,624	(11,624)
Debt service:				
Principal	122,820	122,820	-	122,820
Total expenditures	<u>1,800,994</u>	<u>1,800,994</u>	<u>1,689,052</u>	<u>111,942</u>
Excess of revenues over (under) expenditures	32,935	32,935	210,865	177,930
Other financing sources (uses)				
Operating transfer (out)	-	(197,634)	(197,634)	-
Changes in fund balances	32,935	(164,699)	13,231	177,930
Fund balances - beginning of year	<u>197,634</u>	<u>197,634</u>	<u>197,634</u>	<u>-</u>
Fund balances - end of year	<u>\$ 230,569</u>	<u>\$ 32,935</u>	<u>\$ 210,865</u>	<u>\$ 177,930</u>

City of Bay City, Michigan
Community Development Block Grant Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental:				
Federal	\$ 1,758,000	\$ 1,758,000	\$ 1,614,401	\$ (143,599)
Miscellaneous:				
Interest earnings	-	-	517	517
Total revenues	<u>1,758,000</u>	<u>1,758,000</u>	<u>1,614,918</u>	<u>(143,082)</u>
Expenditures				
Economic development	599,454	599,454	931,967	(332,513)
Capital outlay	261,000	261,000	354,227	(93,227)
Debt service				
Interest expense	-	-	2,382	(2,382)
Total expenditures	<u>860,454</u>	<u>860,454</u>	<u>1,288,576</u>	<u>(428,122)</u>
Excess of revenues over (under) expenditures	<u>897,546</u>	<u>897,546</u>	<u>326,342</u>	<u>(571,204)</u>
Other financing sources (uses)				
Operating transfer in	142,000	142,000	404,693	262,693
Operating transfer out	(1,039,546)	(1,039,546)	(716,081)	323,465
Total other financing sources (uses)	<u>(897,546)</u>	<u>(897,546)</u>	<u>(311,388)</u>	<u>586,158</u>
Changes in fund balances	-	-	14,954	14,954
Fund balances - beginning of year	<u>(14,954)</u>	<u>(14,954)</u>	<u>(14,954)</u>	<u>-</u>
Fund balances - end of year	<u>\$ (14,954)</u>	<u>\$ (14,954)</u>	<u>\$ -</u>	<u>\$ 14,954</u>

City of Bay City, Michigan
Public Improvement Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Interest earnings	\$ 12,500	\$ 12,500	\$ 7,713	\$ (4,787)
Expenditures				
Capital outlay	<u>280,000</u>	<u>290,084</u>	<u>35,359</u>	<u>254,725</u>
Excess of revenues over (under) expenditures	(267,500)	(277,584)	(27,646)	(259,512)
Changes in fund balances	(267,500)	(277,584)	(27,646)	249,938
Fund balances - beginning of year	<u>466,038</u>	<u>466,038</u>	<u>466,038</u>	<u>-</u>
Fund balances - end of year	<u>\$ 198,538</u>	<u>\$ 188,454</u>	<u>\$ 438,392</u>	<u>\$ 249,938</u>

City of Bay City, Michigan
Building Inspection Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Licenses and permits	\$ 524,585	\$ 524,585	\$ 382,419	\$ (142,166)
Miscellaneous:				
Interest earnings	-	-	10	10
Reimbursements	62,500	62,500	31,224	(31,276)
Other	26,629	26,629	18,973	(7,656)
Total revenues	<u>613,714</u>	<u>613,714</u>	<u>432,626</u>	<u>(181,088)</u>
Expenditures				
Public safety	<u>863,071</u>	<u>863,071</u>	<u>800,846</u>	<u>62,225</u>
Total expenditures	<u>863,071</u>	<u>863,071</u>	<u>800,846</u>	<u>62,225</u>
Excess of revenues over (under) expenditures	<u>(249,357)</u>	<u>(249,357)</u>	<u>(368,220)</u>	<u>(118,863)</u>
Other financing sources (uses)				
Operating transfer in	<u>249,357</u>	<u>249,357</u>	<u>368,220</u>	<u>118,863</u>
Total other financing sources (uses)	<u>249,357</u>	<u>249,357</u>	<u>368,220</u>	<u>118,863</u>
Changes in fund balances	-	-	-	-
Fund balances - beginning of year	-	-	-	-
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Bay City, Michigan
Neighborhood Opportunity Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Miscellaneous:				
Interest	\$ 5,000	\$ 5,000	\$ 2,445	\$ (2,555)
Sale of property	-	-	1	1
Other	-	-	62	62
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>2,508</u>	<u>(2,492)</u>
Expenditures				
Economic development	60,000	60,000	83	59,917
Capital outlay	<u>409,427</u>	<u>409,427</u>	<u>137,314</u>	<u>272,113</u>
Total expenditures	<u>469,427</u>	<u>469,427</u>	<u>137,397</u>	<u>332,030</u>
Excess of revenues over (under) expenditures	(464,427)	(464,427)	(134,889)	329,538
Other financing sources (uses)				
Operating transfer in	<u>255,427</u>	<u>255,427</u>	<u>255,427</u>	<u>-</u>
Changes in fund balances	(209,000)	(209,000)	120,538	329,538
Fund balances - beginning of year	<u>213,389</u>	<u>213,389</u>	<u>213,389</u>	<u>-</u>
Fund balances - end of year	<u>\$ 4,389</u>	<u>\$ 4,389</u>	<u>\$ 333,927</u>	<u>\$ 329,538</u>

City of Bay City, Michigan
Bond Sinking Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes:				
General property taxes	\$ 2,018,540	\$ 2,018,540	\$ 2,015,481	\$ (3,059)
Miscellaneous:				
Interest earnings	<u>30,000</u>	<u>30,000</u>	<u>12,533</u>	<u>(17,467)</u>
Total revenues	<u>2,048,540</u>	<u>2,048,540</u>	<u>2,028,014</u>	<u>(20,526)</u>
Expenditures				
Debt service:				
Principal	2,110,000	2,110,000	2,110,000	-
Interest and fiscal charges	<u>215,624</u>	<u>215,624</u>	<u>155,891</u>	<u>59,733</u>
Total expenditures	<u>2,325,624</u>	<u>2,325,624</u>	<u>2,265,891</u>	<u>59,733</u>
Excess of revenues over (under) expenditures	(277,084)	(277,084)	(237,877)	39,207
Other financing sources (uses)				
Operating transfer in	<u>15,425</u>	<u>15,425</u>	<u>15,425</u>	<u>-</u>
Changes in fund balances	(261,659)	(261,659)	(222,452)	39,207
Fund balances - beginning of year	<u>337,620</u>	<u>337,620</u>	<u>337,620</u>	<u>-</u>
Fund balances - end of year	<u>\$ 75,961</u>	<u>\$ 75,961</u>	<u>\$ 115,168</u>	<u>\$ 39,207</u>

City of Bay City, Michigan
Nonmajor Enterprise Funds
Combining Statement of Net Assets
June 30, 2004

	Oak Ridge Cemetery	James Clements Airport	Liberty Harbor Marina	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 90,669	\$ -	\$ 61,901	\$ 152,570
Receivables (net of allowance for uncollectibles)				
Accounts	4,184	9,995	-	14,179
Accrued interest	877	-	774	1,651
Due from other funds	-	37,405	33,437	70,842
Total current assets	<u>95,730</u>	<u>47,400</u>	<u>96,112</u>	<u>239,242</u>
Capital assets				
Land and improvements	295,523	1,205,840	2,721,131	4,222,494
Buildings	34,068	397,507	193,825	625,400
Machinery and equipment	1,130	9,383	3,316	13,829
	330,721	1,612,730	2,918,272	4,861,723
Less: accumulated depreciation	<u>126,092</u>	<u>622,093</u>	<u>757,180</u>	<u>1,505,365</u>
Net capital assets	<u>204,629</u>	<u>990,637</u>	<u>2,161,092</u>	<u>3,356,358</u>
Total assets	<u>300,359</u>	<u>1,038,037</u>	<u>2,257,204</u>	<u>3,595,600</u>
Liabilities				
Current liabilities				
Accounts payable	3,104	2,876	4,782	10,762
Accrued liabilities	439	439	649	1,527
Due to other funds	<u>3,869</u>	<u>33,437</u>	<u>-</u>	<u>37,306</u>
Total current liabilities	<u>7,412</u>	<u>36,752</u>	<u>5,431</u>	<u>49,595</u>
Net assets				
Invested in capital assets, net of related debt	204,629	990,637	2,161,092	3,356,358
Unrestricted	<u>88,318</u>	<u>10,648</u>	<u>90,681</u>	<u>189,647</u>
Total net assets	<u>\$ 292,947</u>	<u>\$ 1,001,285</u>	<u>\$ 2,251,773</u>	<u>\$ 3,546,005</u>

City of Bay City, Michigan
Nonmajor Enterprise Funds
Combining Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2004

	Oak Ridge Cemetery	James Clements Airport	Liberty Harbor Marina	Total
Operating revenues				
Charges for services:				
Sales	\$ 65,493	\$ -	\$ 1,240	\$ 66,733
Rents	-	24,933	126,046	150,979
Miscellaneous	-	12,154	523	12,677
Total operating revenues	<u>65,493</u>	<u>37,087</u>	<u>127,809</u>	<u>230,389</u>
Operating expenses				
Cost of sales and service	122,231	79,935	117,677	319,843
Depreciation	8,719	51,976	54,681	115,376
Total operating expenses	<u>130,950</u>	<u>131,911</u>	<u>172,358</u>	<u>435,219</u>
Operating income (loss)	<u>(65,457)</u>	<u>(94,824)</u>	<u>(44,549)</u>	<u>(204,830)</u>
Nonoperating revenues (expenses)				
Intergovernmental:				
Federal grants	-	24,300	-	24,300
State grants	-	1,350	-	1,350
Interest earnings	1,981	34	1,114	3,129
Total nonoperating revenues (expenses)	<u>1,981</u>	<u>25,684</u>	<u>1,114</u>	<u>28,779</u>
Income (loss) before transfers	<u>(63,476)</u>	<u>(69,140)</u>	<u>(43,435)</u>	<u>(176,051)</u>
Transfers				
Transfer in	65,642	69,140	-	134,782
Total transfers	<u>65,642</u>	<u>69,140</u>	<u>-</u>	<u>134,782</u>
Changes in net assets	<u>2,166</u>	<u>-</u>	<u>(43,435)</u>	<u>(41,269)</u>
Net assets - beginning of year	<u>290,781</u>	<u>1,001,285</u>	<u>2,295,208</u>	<u>3,587,274</u>
Net assets - end of year	<u>\$ 292,947</u>	<u>\$ 1,001,285</u>	<u>\$ 2,251,773</u>	<u>\$ 3,546,005</u>

City of Bay City, Michigan
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2004

	Oak Ridge Cemetery	James Clements Airport	Liberty Harbor Marina	Total
Cash flows from operating activities				
Cash received from customers and users	\$ 63,354	\$ 35,324	\$ 127,958	\$ 226,636
Cash payments to suppliers for goods and services	(78,570)	(89,140)	(136,341)	(304,051)
Cash payments to employees for services	(12,566)	(14,005)	(15,954)	(42,525)
Net cash provided (used) by operating activities	(27,782)	(67,821)	(24,337)	(119,940)
Cash flows from noncapital financing activities				
Intergovernmental - federal grant	-	24,300	-	24,300
Intergovernmental - state grant	-	1,350	-	1,350
Transfers in	65,642	69,140	-	134,782
Net cash flows from noncapital financing activities	65,642	94,790	-	160,432
Cash flows from capital and related financing activities				
Purchase of capital assets	-	(27,003)	-	(27,003)
Net cash (used) by capital and related financing activities	-	(27,003)	-	(27,003)
Cash flows from investing activities				
Interest received	1,981	34	1,114	3,129
Net increase in cash and cash equivalents	39,841	-	(23,223)	16,618
Cash and cash equivalents, beginning of period	50,828	-	85,124	135,952
Cash and cash equivalents, end of period	\$ 90,669	\$ -	\$ 61,901	\$ 152,570
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	\$ (65,457)	\$ (94,824)	\$ (44,549)	\$ (204,830)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	8,719	51,976	54,681	115,376
(Increase) decrease in assets:				
Accounts receivable	2,139	1,763	(149)	3,753
Due from other funds	24,298	(37,405)	(33,437)	(46,544)
Increase (decrease) in liabilities:				
Accounts payable	865	(9,267)	(981)	(9,383)
Accrued liabilities	(112)	(112)	98	(126)
Due to other funds	1,766	20,048	-	21,814
Total adjustments	37,675	27,003	20,212	84,890
Net cash provided (used) by operating activities	\$ (27,782)	\$ (67,821)	\$ (24,337)	\$ (119,940)

City of Bay City, Michigan
Internal Service Funds
Combining Statement of Net Assets
June 30, 2004

	Motor Equipment Revolving	Information Systems	Liability/ Property Self- Insurance	Site Remediation	Benefits Program	Total
Assets						
Current assets						
Cash and cash equivalents	\$ 215,081	\$ 73,561	\$ 385,091	\$ 754,277	\$ 1,641,566	\$ 3,069,576
Receivables (net of allowance for uncollectibles)						
Accounts	2,240	-	9,324	-	307,105	318,669
Accrued interest	1,446	-	-	6,098	5,559	13,103
Due from other funds	89,233	47,451	3,090	-	11,243	151,017
Inventories	84,594	10,514	-	-	-	95,108
Prepaid expenses	-	-	-	-	74,658	74,658
Deposits	-	-	39,845	-	268,200	308,045
Total current assets	392,594	131,526	437,350	760,375	2,308,331	4,030,176
Capital assets						
Machinery and equipment	11,394,791	766,492	-	-	-	12,161,283
Less: accumulated depreciation	5,758,498	588,353	-	-	-	6,346,851
Net capital assets	5,636,293	178,139	-	-	-	5,814,432
Total assets	6,028,887	309,665	437,350	760,375	2,308,331	9,844,608
Liabilities						
Current liabilities						
Accounts payable	11,126	5,920	19,758	-	140,031	176,835
Accrued liabilities	41,470	31,077	308,481	-	973,416	1,354,444
Interest payable	5,091	-	-	-	-	5,091
Due to other funds	-	-	-	-	492,038	492,038
Due to component units	-	-	-	-	721	721
Due to other governments	-	-	-	-	17,824	17,824
Deposits	-	59	-	-	-	59
Accrued compensated absences	74,222	49,890	-	-	-	124,112
Notes payable	400,842	27,305	-	-	-	428,147
Total current liabilities	532,751	114,251	328,239	-	1,624,030	2,599,271
Net assets						
Invested in capital assets, net of related debt	5,235,451	150,834	-	-	-	5,386,285
Unrestricted	260,685	44,580	109,111	760,375	684,301	1,859,052
	\$ 5,496,136	\$ 195,414	\$ 109,111	\$ 760,375	\$ 684,301	\$ 7,245,337

City of Bay City, Michigan
Internal Service Funds
Combining Statement of Revenues, Expenses
and Changes in Net Assets
For the Year Ended June 30, 2004

	Motor Equipment Revolving	Information Systems	Liability/ Property Self- Insurance	Site Remediation	Benefits Program	Total
Operating revenues						
Charges for services:						
Intergovernmental sales	\$ 12,936	\$ -	\$ 1,053,548	\$ -	\$ 8,114,576	\$ 9,181,060
Intergovernmental rents	2,611,866	785,885	-	-	-	3,397,751
Miscellaneous:						
Employee contribution	-	-	-	-	520,576	520,576
Other	4,373	779	14,435	-	27,122	46,709
Total operating revenues	<u>2,629,175</u>	<u>786,664</u>	<u>1,067,983</u>	<u>-</u>	<u>8,662,274</u>	<u>13,146,096</u>
Operating expenses						
Cost of sales and service	1,765,849	735,041	-	-	-	2,500,890
Administration	-	-	7,709	-	136,501	144,210
Claims and benefits	-	-	1,000,602	-	9,049,438	10,050,040
Depreciation	750,239	109,244	-	-	-	859,483
Total operating expenses	<u>2,516,088</u>	<u>844,285</u>	<u>1,008,311</u>	<u>-</u>	<u>9,185,939</u>	<u>13,554,623</u>
Operating income (loss)	<u>113,087</u>	<u>(57,621)</u>	<u>59,672</u>	<u>-</u>	<u>(523,665)</u>	<u>(408,527)</u>
Nonoperating revenues (expenses)						
Interest earnings	1,473	-	-	13,011	16,487	30,971
Interest expense	(15,767)	-	-	-	-	(15,767)
Net loss on disposal of fixed assets	(13,879)	-	-	-	-	(13,879)
Total nonoperating revenues (expenses)	<u>(28,173)</u>	<u>-</u>	<u>-</u>	<u>13,011</u>	<u>16,487</u>	<u>1,325</u>
Changes in net assets	<u>84,914</u>	<u>(57,621)</u>	<u>59,672</u>	<u>13,011</u>	<u>(507,178)</u>	<u>(407,202)</u>
Net assets - beginning of year	<u>5,411,222</u>	<u>253,035</u>	<u>49,439</u>	<u>747,364</u>	<u>1,191,479</u>	<u>7,652,539</u>
Net assets - end of year	<u>\$ 5,496,136</u>	<u>\$ 195,414</u>	<u>\$ 109,111</u>	<u>\$ 760,375</u>	<u>\$ 684,301</u>	<u>\$ 7,245,337</u>

City of Bay City, Michigan
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2004

	Motor Equipment Revolving	Information Systems	Liability/ Property Self- Insurance	Site Remediation	Benefits Program	Total
Cash flows from operating activities						
Cash received from interfund services provided	\$ 2,632,478	\$ 739,724	\$ 1,064,316	\$ -	\$ 8,670,206	\$ 13,106,724
Cash payments to suppliers for goods and services	(1,060,486)	(1,277,590)	(921,187)	-	(8,794,292)	(12,053,555)
Cash payments to employees for services	(768,260)	549,825	-	-	-	(218,435)
Net cash provided (used) by operating activities	803,732	11,959	143,129	-	(124,086)	834,734
Cash flows from capital and related financing activities						
Purchase of capital assets	(865,030)	(8,275)	-	-	-	(873,305)
Principal paid on debt	(36,977)	-	-	-	-	(36,977)
Interest paid on debt	(15,767)	-	-	-	-	(15,767)
Net cash (used) by capital and related financing activities	(917,774)	(8,275)	-	-	-	(926,049)
Cash flows from investing activities						
Interest received	1,473	-	-	12,339	10,928	24,740
Net increase in cash and cash equivalents	(112,569)	3,684	143,129	12,339	(113,158)	(66,575)
Cash and cash equivalents, beginning of period	327,650	69,877	241,962	741,938	1,754,724	3,136,151
Cash and cash equivalents, end of period	\$ 215,081	\$ 73,561	\$ 385,091	\$ 754,277	\$ 1,641,566	\$ 3,069,576
Reconciliation of operating income to net cash provided by operating activities						
Operating income (loss)	\$ 113,087	\$ (57,621)	\$ 59,672	\$ -	\$ (523,665)	\$ (408,527)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	750,239	109,244	-	-	-	859,483
(Increase) decrease in assets:						
Accounts receivable	2,381	511	(577)	-	18,449	20,764
Due from other funds	922	(47,451)	(3,090)	-	(10,517)	(60,136)
Inventory	(906)	(18,998)	-	-	-	(19,904)
Prepaid expenses	-	-	-	-	195,211	195,211
Deposits	-	-	(32,418)	-	(226,200)	(258,618)
Increase (decrease) in liabilities:						
Accounts payable	(12,830)	(927)	10,418	-	88,459	85,120
Accrued liabilities	(3,104)	27,201	109,124	-	(158,582)	(25,361)
Due to other funds	(46,057)	-	-	-	492,759	446,702
Total adjustments	690,645	69,580	83,457	-	399,579	1,243,261
Net cash provided (used) by operating activities	\$ 803,732	\$ 11,959	\$ 143,129	\$ -	\$ (124,086)	\$ 834,734

City of Bay City, Michigan
Police and Fire Retirement System
Statement of Plan Net Assets
June 30, 2004

Assets

Cash and cash equivalents	<u>\$ 1,775,684</u>
Accounts receivable	<u>126,408</u>
Investments, at fair value	
Mutual funds	21,584,198
Government securities	3,306,482
Corporate bonds	3,054,538
Common stock	<u>17,201,308</u>
Total investments	<u>45,146,526</u>
Total assets	45,272,934
Liabilities	
Accounts payable	<u>85,685</u>
Net assets held in trust for pension benefits	<u><u>\$ 45,187,249</u></u>

City of Bay City, Michigan
Downtown Development Authority, Midland Street TIFA,
Marquette District TIFA
Combining Balance Sheet
June 30, 2004

	Downtown Development Authority			Midland Street TIFA		
	Special Revenue	Adjustments	Total	Special Revenue	Adjustments	Total
<u>ASSETS</u>						
Cash and cash equivalents	\$ 7,199	\$ -	\$ 7,199	\$ 251,640	\$ -	\$ 251,640
Receivables:						
Accounts	820	-	820	-	-	-
Delinquent taxes	952	-	952	-	-	-
Accrued interest	58	-	58	2,035	-	2,035
Due from primary government	5,483	-	5,483	-	-	-
Capital assets, net	-	92,680	92,680	-	-	-
TOTAL ASSETS	\$ 14,512	\$ 92,680	\$ 107,192	\$ 253,675	\$ -	\$ 253,675
<u>LIABILITIES AND FUND BALANCES</u>						
<u>LIABILITIES:</u>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-	-
Long-term debt:						
Notes payable	-	37,316	37,316	-	-	-
TOTAL LIABILITIES	-	37,316	37,316	-	-	-
<u>FUND BALANCES:</u>						
Unreserved	14,512	55,364	69,876	253,675	-	253,675
TOTAL FUND BALANCES	14,512	55,364	69,876	253,675	-	253,675
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,512	\$ 92,680	\$ 107,192	\$ 253,675	\$ -	\$ 253,675

Marquette District TIFA		
Special Revenue	Adjustments	Total
\$ 1,403,953	\$ -	\$ 1,403,953
-	-	-
-	-	-
11,350	-	11,350
534	-	534
-	507,955	507,955
<u>\$ 1,415,837</u>	<u>\$ 507,955</u>	<u>\$ 1,923,792</u>

\$ 27,664	\$ -	\$ 27,664
2,382	-	2,382
-	-	-
<u>30,046</u>	<u>-</u>	<u>30,046</u>
<u>1,385,791</u>	<u>507,955</u>	<u>1,893,746</u>
<u>1,385,791</u>	<u>507,955</u>	<u>1,893,746</u>
<u>\$ 1,415,837</u>	<u>\$ 507,955</u>	<u>\$ 1,923,792</u>

City of Bay City, Michigan
Water Street TIFA and Allen Healthcare DDA
Combining Balance Sheet
June 30, 2004

	Water Street DDA			Allen Healthcare DDA		
	Special Revenue	Adjustments	Total	Special Revenue	Adjustments	Total
<u>ASSETS</u>						
Cash and cash equivalents	\$ 394,451	\$ -	\$ 394,451	\$ 158	\$ -	\$ 158
Receivables:						
Accrued interest	3,189	-	3,189	1	-	1
Capital assets, net	-	668,457	668,457	-	-	-
TOTAL ASSETS	\$ 397,640	\$ 668,457	\$ 1,066,097	\$ 159	\$ -	\$ 159
<u>LIABILITIES AND FUND BALANCES</u>						
<u>LIABILITIES:</u>						
Accounts payable	\$ 1,031	\$ -	\$ 1,031	\$ -	\$ -	\$ -
Long-term debt:						
Revenue bonds payable	-	900,000	900,000	-	-	-
Notes payable	-	-	-	-	83,320	83,320
TOTAL LIABILITIES	1,031	900,000	901,031	-	83,320	83,320
<u>FUND BALANCES:</u>						
Unreserved	396,609	(231,543)	165,066	159	(83,320)	(83,161)
TOTAL FUND BALANCES	396,609	(231,543)	165,066	159	(83,320)	(83,161)
TOTAL LIABILITIES AND FUND BALANCES	\$ 397,640	\$ 668,457	\$ 1,066,097	\$ 159	\$ -	\$ 159

City of Bay City, Michigan
Downtown Development Authority, Midland Street TIFA,
Marquette District TIFA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2004

	Downtown Development Authority	Adjustments	Total	Midland St. TIFA	Adjustments	Total
<u>REVENUES:</u>						
Taxes:						
Tax increment	\$ -	\$ -	\$ -	\$ 99,123	\$ -	\$ 99,123
Special assessments	65,199	-	65,199	-	-	-
Charges for services:						
Rents	90,488	-	90,488	-	-	-
Miscellaneous:						
Interest earnings	489	-	489	4,446	-	4,446
Other	-	-	-	-	-	-
TOTAL REVENUES	156,176	-	156,176	103,569	-	103,569
<u>EXPENDITURES:</u>						
Current:						
Economic development	138,321	(18,684)	119,637	2,397	-	2,397
Depreciation	-	31,860	31,860	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	76,929	(76,929)	-
Interest	-	-	-	1,471	-	1,471
TOTAL EXPENDITURES	138,321	13,176	151,497	80,797	(76,929)	3,868
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	17,855	(13,176)	4,679	22,772	76,929	99,701
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>(3,343)</u>	<u>68,540</u>	<u>65,197</u>	<u>230,903</u>	<u>(76,929)</u>	<u>153,974</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$ 14,512</u>	<u>\$ 55,364</u>	<u>\$ 69,876</u>	<u>\$ 253,675</u>	<u>\$ -</u>	<u>\$ 253,675</u>

The accompanying notes are an integral part of the financial statements.

Marquette District		
TIFA	Adjustments	Total
\$ 370,519	\$ -	\$ 370,519
-	-	-
-	-	-
25,117	-	25,117
125	-	125
395,761	-	395,761
66,971	-	66,971
	13,024	13,024
530,580	(520,979)	9,601
-	-	-
-	-	-
597,551	(507,955)	89,596
(201,790)	507,955	306,165
1,587,581	-	1,587,581
\$ 1,385,791	\$ 507,955	\$ 1,893,746

City of Bay City, Michigan
Water Street TIFA and Allen Healthcare DDA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2004

	Water Street DDA	Adjustments	Total	Allen Health- care DDA	Adjustments	Total
<u>REVENUES:</u>						
Taxes:						
Tax increment	\$ 280,427	\$ -	\$ 280,427	\$ 14,503	\$ -	\$ 14,503
Miscellaneous:						
Interest earnings	7,590	-	7,590	122	-	122
TOTAL REVENUES	<u>288,017</u>	<u>-</u>	<u>288,017</u>	<u>14,625</u>	<u>-</u>	<u>14,625</u>
<u>EXPENDITURES:</u>						
Current:						
Economic development	14,655	-	14,655	-	-	-
Depreciation	-	46,100	46,100	-	-	-
Capital outlay	28,676	-	28,676	-	-	-
Debt service:						
Principal	90,000	(90,000)	-	14,503	(7,257)	7,246
Interest	61,868	-	61,868	-	-	-
TOTAL EXPENDITURES	<u>195,199</u>	<u>(43,900)</u>	<u>151,299</u>	<u>14,503</u>	<u>(7,257)</u>	<u>7,246</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>92,818</u>	<u>43,900</u>	<u>136,718</u>	<u>122</u>	<u>7,257</u>	<u>7,379</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>303,791</u>	<u>(275,443)</u>	<u>28,348</u>	<u>37</u>	<u>(90,577)</u>	<u>(90,540)</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$ 396,609</u>	<u>\$ (231,543)</u>	<u>\$ 165,066</u>	<u>\$ 159</u>	<u>\$ (83,320)</u>	<u>\$ (83,161)</u>

The accompanying notes are an integral part of the financial statements.